CREDIT and Financial Management

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DECEMBER 1947. ***In This Issue:*** **Par-Clearance and How to Get It — Training Field Personnel — Your Letters Are You! — A Discussion of Equitable Attachments and Levies — Economics and Credit**

CREDIT
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Contents
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"We Cannot Speak"

"If we could speak, we'd voice our views on Faith. If we could speak, we'd lead the way to a sweeter life. We'd plant the seeds of Faith and reap the calm and joy of an understanding world.

"If we could live, we'd quench the fires of hate. We are the victims of hate, prejudice, greed, lust for power and ambition. We gave our lives that you might live—live in peace and happiness in a world of brotherly love. We are the sacrifice laid upon the altars of misunderstanding. We of all faiths have now at last learned the meaning of understanding.

"We who have had our voice eternally silenced would turn to God—the true hope of mankind. We would have His way of life guide us to our true destiny.

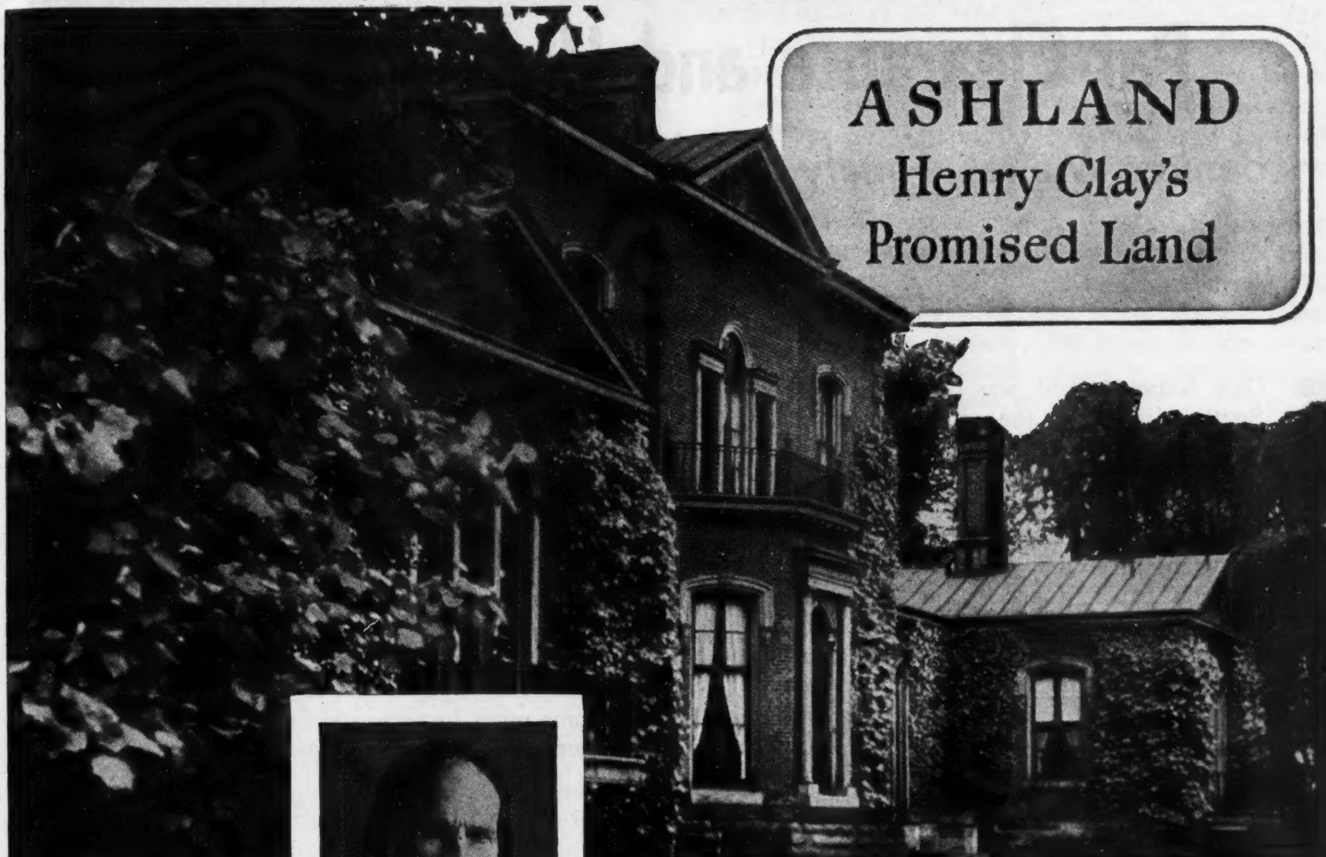
"We who will not be with you on Christmas Eve would know the meaning and the symbolism of the light of the Star of Bethlehem and understand the peace it promises to men of all beliefs.

"In our long silence we have at last understood the virtue of humility; but we cannot speak. You and you alone can speak for us. You and you alone can heed God's message and confirm His Faith. For you are the living from whom we earned the right to ask that you urge His way.

"On this Christmas Day give us a thought and take our message to heart. We are the war dead. We cannot speak—but you can hear our silent plea."

Famous American Homes

ASHLAND
Henry Clay's Promised Land



Ashland stirs a memory of days when Clay walked this ground he loved

From an old daguerreotype

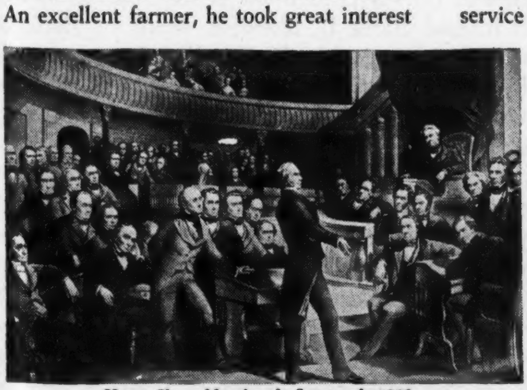
"I AM IN ONE respect better off than Moses," wrote Henry Clay to a friend. "He died without reaching the Promised Land. I occupy as good a farm as any he would have found, had he reached it, and Ashland has been acquired, not by hereditary descent, but by my own labor." Yet though Clay attained his Promised Land, his long career as Congressman, Secretary of State and Senator prevented him from dwelling there as much as he wished. Each time he decided to retire, popular demand and his own zeal forced him to re-enter public life.

Clay bought Ashland, near Lexington, Kentucky, in 1806 and built the main house a few years later, adding to the estate at intervals until it included 600 fertile acres. An excellent farmer, he took great interest in the management of the place and in raising fine horses and breeding cattle. In his absence much of the responsibility was shouldered by his wife, the former Lucretia Hart, and, as Clay declared, "how diligently, how nobly she has performed the duties thus devolved upon her can be known to no mortal save myself alone."

Henry Clay achieved his fame, just as he acquired Ashland, through his own efforts. Lacking much formal education, he nevertheless rapidly made his reputation as a brilliant orator and lawyer. People used to say that no one whom Clay defended was ever hanged. Whenever he spoke, huge crowds gathered, attracted by his superb voice and compelling personality. However, his renouncing a lucrative law practice for public service prevented him from becoming wealthy. In fact, at one time it seemed that he would have to sell Ashland until anonymous friends throughout the country raised $50,000 with which they settled his obligations.

Between 1824 and 1848 Clay was a strong presidential candidate in nearly every campaign but in spite of his popularity and the fact that for a generation he was the acknowledged leader of his party, the nation never rewarded him with its highest office. Although he is quoted as saying, "I would rather be right than President," his failure to attain this position was a bitter disappointment. His private life was further saddened by family tragedies. Of eleven children, all six daughters died before their father, one son was killed in the Mexican War and another became insane after an accident.

After Clay's death the house at Ashland was torn down, but the present dwelling, reconstructed by his son on the same plan and with some of the original materials preserves the same general aspect. Within are much of Clay's furniture and many mementos of his career. Though the estate has dwindled in size, it still retains the peaceful charm which made it a place of solace to the famous owner.



Henry Clay addressing the Senators in 1850

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Par-Clearance and How To Get It

Banker Makes Timely Suggestion on Irritating Question

by WILLIAM C. CARTER

President, Gulf National Bank of Gulfport, Mississippi

Gulf National Bank was organized to render to South Mississippi the same high standard of bank service found in any of the financial centers, but which, in too many cases, is not available in the smaller communities of the Southeastern states. My associates and I were determined that we would provide our section of the state with a financial institution on which a check could be written that would be worth face value anywhere in the country A par medium of exchange. Not only that, but we feel that any other par check should be accepted by us from our customers at par. This has been one of our consistent policies.

Why have we been able to offer a higher standard of bank service than had previously been available there? Because, from the beginning, we instituted "Uniform Account Analysis," as recommended by the Bank Management Commission of The American Banker's Association, and made it applicable to every account in our bank, whereby we know each month, exactly what it costs us to service each one of our accounts; and the exact value to us of each account. If the cost of service is greater than the use of the balance is worth to us, we charge such excess of cost to the customer. We do not charge some other concern in Birmingham or Chattanooga, for the service we render to one of our own customers in Gulfport.

As pointed out by the Bank Management Commission, analysis of all accounts is by far the fairest method of making service charges, both to the depositor, and to the bank, because it charges for the exact amount of service rendered, and allows earning credit for the amount of balance carried. Furthermore, it places all accounts, whether large or small, on exactly the same basis. We can honestly and sincerely advertise, "Uniform Impartial Treatment to All." A one-price-to-all policy, if you please.

How the Bankers Feel

Here is a banker's point of view on this problem of non-par clearance of bank checks. My conviction, based on more than a quarter of a century of banking experience, many hours of careful study and much visiting with leading bank management officers throughout the country, is that there is no excuse for this subtle practice of charging exchange on bank remittances or incoming checks. My views are embodied in the policy of the bank with which I am associated. and which I have just outlined to you.

I do not have to tell you, that out of the approximately 14,000 banks in the country, more than 12,000, or more than 80%, doing more than 98% of the banking business of the country, feel substantially as our bank about this subject.

The bank which indulges in non-par clearance of its own checks evidently considers it quite a crafty device, whereby it can levy a toll on the payee, generally without the knowledge of its customer, and whereby it can grossly disregard the instructions of its customer to pay a certain sum in money, to a party in some other locality, and take for itself a portion of the amount directed to be paid to the payee.

The Non-Par Bank's Story

The non-par banker claims there is expense involved in the transaction of transferring funds from one locality to another. The answer—clear through the Federal Reserve System. A bank does not even have to be a member to do so, and the Federal Reserve Banks make all money transfers for members free of all costs.

Supporters of the practice argue that Congress has recognized, by statute, the right of banks to charge exchange, but, on the contrary, Section 13 of the Federal Reserve Act states that no such charge shall be made against the Federal Reserve Banks, and Section 16 requires Federal Reserve Banks to receive checks at "par." Therefore, it can be seen that Congress has actually disapproved of the practice.

Now, why do approximately 12,000 banks of the country oppose this scheme? I think I can show you. Let us suppose two non-par banks, A and B, are located in neighboring communities of about the same size, each being the only bank in its respective community. When Bank A forwards to Bank B such checks as are drawn on it, and Bank B, likewise, sends to Bank A such checks as are drawn on it, B will deduct exchange for all checks sent to it by A for payment; and likewise A will deduct exchange from its payment to B. It is reasonable to believe, that in the course of a year, these banks will send each other approximately the same amount in dollars and cents. Therefore, they have only played a game of "you stick me and I'll stick you," and each one is truly stuck with the work of maintaining the records of such transactions. If such charges are charged back to the customers who deposited the checks in their respective banks, you have a case where the customers of Bank A pay a service

charge to Bank B, located in another locality, and customers of Bank B pay a service charge to Bank A, in another locality.

Non-Par Banking on the Wane

Therefore, most bankers are in favor of establishing, throughout the country, a uniform banking practice, that will assure the universal circulation of bank checks, as a par medium of exchange. As a matter of fact, I think you will find 80% of the bankers of the country are in favor of this. Not only that, but I predict that the days of "non-par banking" are numbered, because, if the various State Governments do not exact par-clearance legislation, I predict that the Federal Deposit Insurance Corporation will eventually accept the views of the Federal Reserve System, that to absorb non-par exchange is a device for payment of interest on demand deposits. This will leave no one to absorb the charges and the practice will die of its own weight. Also, competition will gradually cause banks to discontinue the practice.

May I, at this point, make the observation that the so-called "exchange charge" of a non-par bank is not exchange at all; and it should not be so dignified. Actually "exchange" is the difference between the value of the National currencies of two different countries; and the cost of shipping gold from one to the other. Domestic exchange is a term used to describe a difference between the value of money in two widely separated places, resulting from fluctuations, in the supply and demand for money at those places.

A Holdover From Early Days

Such is the primary meaning of an exchange charge; but there was a time when bank exchange charges had that meaning. Before checks came into general use, a bank would actually incur an out-of-pocket expense in shipping currency, or in furnishing acceptable exchange in another city. Consequently, if a bank's customer desired to transfer funds to a distant place, the bank would make the transfer for him and would charge him for the "exchange" involved, the amount depending on the current value of money in the place to which the funds were to be shipped, or upon the cost of shipping the necessary amount of currency. In other words, the charge was for making the customer's funds available at the place where he wished to use them, either to pay a debt or to purchase goods.

These, of course, were the "horse-and-buggy days," before the use of checks was so general and before the growth of correspondent relations between banks, and particularly before the establishment of the nationwide check collection system of the Federal Reserve Banks, whereby the cost of transferring funds to distant points became negligible or non-existent and the justification for exchange charges ceased to exist. Nevertheless, the practice of charging exchange lingered on because some banks were reluctant to lose what they regarded as a lucrative source of income.

In the survival of the practice, however, the charge came to be levied, not against the bank's customer, that is, the drawer of the check, but against the person presenting the customer's check for payment. Consequently, a bank "exchange charge" today is not a charge imposed on the person wishing to transfer his funds to another place but a charge made by a bank for remitting for a check drawn by its customer when the check is presented through the mails for payment. Banks which make such charges, as you know, are known as non-par banks.

The reason non-par banks do not make the charge against the drawer of a check, was very clearly explained by a "non-par banker" at the hearings on the Brown-Maybank Bill. "Of course," he said, "being a customer, the charge has been levied against the man on the other end; and incidentally, it has furnished Georgia banks the most beautiful form of revenue they have ever had—it is a form of revenue you can collect with the least disturbance of public relations between you and your customer."

How to Get Par-Clearance

You and I are anxious, and I assure you the great majority of the bankers of the country are also anxious, to have this obnoxious practice ended forthwith. I think it is easily within your power to put an end to it within the next twelve to twenty-four months. You yourselves are the principal sufferers and you must therefore initiate the remedy. If you are all of one mind, you can do some, or all, of the following:

1. Absolutely refuse to accept a non-par check from a customer who has a par bank available in his community.
2. Where a par bank is not available, stamp all non-par checks, "This check must be remitted for at par or returned unpaid."
3. Establish an account with a par bank in localities from where you receive a considerable volume of non-par checks, so that the par bank will have the right to demand payment at par.
4. Bring pressure to bear upon the directors of the Federal Deposit Insurance Corporation to require all members to remit at par, or at least to prohibit its members from absorbing non-par exchange.
5. Educate all the people as to what non-par banking is and the injustice of the practice.

In an address before the Hardware Wholesalers' Industry Session at the NACM Convention in New York last May, W. B. White of Smith Brothers Hardware Co., Columbus, in discussing the causes which have led to so many failures in the retail hardware and household ware stores, enumerates the following as a yardstick of the success possibilities of any young man entering business:

"What about personal qualifications? Does the individual possess the executive ability necessary for independent business success? Does he know how to plan ahead? Does he possess courage, resourcefulness, initiative, and aptitude necessary for success? He should know there will be overhead expense to meet, operating costs, books to keep, taxes to pay.

The Solution Rests With Us

We Are All Responsible for Inflation

by JNO. H. RAWLINGS
Certified Public Accountant, Memphis

Some old timers can remember the Thomas Nast cartoon, inspired by the graft investigations which were going on at that time. It was a picture representing the public officials, sitting in a circle, each pointing to the man on his right, and saying "he did it." Today we are searching for the prime cause of the inflation, which has already reached an acutely dangerous stage, and are, apparently, trying to fix the responsibility so that a proper remedy may be applied. The answers are a repetition of the Nast cartoon, and we continue to go 'round and 'round the circle, arriving nowhere.

There is not one of us, myself included, who has not contributed, in some measure, to the cause of these conditions. Some of our contributions have been positive, some negative, but, whichever way, have been no less effective in augmenting our trouble. It is time we stopped running around in a circle, and decided what *we* can do to destroy this Frankenstein Monster before it destroys us.

I would be presumptuous, indeed, if I set myself up as being able to give the answer. Like the rest of you, who are honest enough to admit it, I say that I do not know. I am convinced, however, that some of the remedies suggested would, in the long run, only augment the evil, and accelerate the disaster it would bring. I hope to analyze those suggested remedies so that the error of applying them may be avoided.

A Buyers' Strike Is Not the Answer

There never has been a strike which has not resulted in a loss; those losing include the strikers, even though they secured what they were striking for. These losses include:

Loss of wages by the strikers which are not compensated for by subsequent increases, the increases being absorbed by added cost to them of goods produced by their own, or other industries subjected to the wage increases.

Loss of needed commodities through lack of production, producing a shortage to supply the demand.

Loss of revenue to the employing industry from a suspension of activities, and sale of revenue producing products.

Loss to the buying public from an increased cost, not otherwise justified.

Loss to other industries, including their employees, from enforced idleness due to lack of supply of necessary material or parts.

Loss of revenue to the government by reduced taxes upon the incomes of management and labor caused by the strike.

This latter loss is again passed on to the taxpayer, including the strikers, in either increased tax rates, or failure to reduce the existing rates.

Strikes Achieve Nothing

In short, strikes, like war, are destructive, and to add a buyers' strike to those others which have cost us so much would be to invite disaster.

We must bear in mind that the burden of such a strike would fall upon those businesses which have produced, or purchased, the commodities under conditions which have brought about the high costs.

Many of them could not survive the losses which a sharp reduction in price, or volume of sales, would create. Their failure would throw a burden on creditors, increasing the difficulty of financing other businesses facing the same situation. Such failure would also create unemployment, decreasing purchasing power, the need of which would be sharply felt. They would also, through loss of income, decrease the revenue expected through income taxes, and delay any proposed reduction in taxes if they did not cause an increase to produce needed revenue.

Let us, therefore, abandon any thought of such destructive measure. To refuse to buy that which we do not need is not a buyer's strike in any sense. It is a wise refusal to contribute to an unnecessary demand which sustains inflationary prices.

Raising Wages Not the Answer

We already have seen the effect which the raising of wages, followed by raising the price of the commodities produced, has had upon our economy. Even those who are the recipients of the increased wage scale should be convinced by now that they not only have not benefitted by such increase, but, like the man in the parable, from whose house seven devils were expelled, to return later with seventy other devils, they find their last estate was worse than the first.

If the effect of this contribution to the spiral of inflation could have been confined to those responsible for it we could shrug it off by saying it was their trouble, produced by themselves, in which we had no direct interest. Unfortunately that is not so. Not only is this burden falling on that group, and all those dependent on their earnings—and they constitute a mate-

rial part of the purchasing power of our country—but it is extended to everyone else in the country. That purchasing power is the very life blood of our national economy. When its quality is impaired, or its flow impeded, we become, indeed, an economically sick nation, and there is no place to look for a transfusion. Only by building back what we have lost can we be restored to economic health.

A Hidden Drain on the National Income

Let us take a look at what, apparently, is an unsuspected drain upon the national economy. If it has been considered by others it has not, to my knowledge, been pointed out by anyone in any comments dealing with the situation. The figures which will be presented will be based on estimates, and not on statistical information. In order to avoid an overestimation any excess control of the used basis will be eliminated. It is reasonable to assume, then, that what is offered is an understatement, and that authentic statistics would prove this to be true.

Using 1945 information we learn that approximately 29 million workers engaged in occupations in which unions were organizing and attempting to obtain written agreements. Of this group approximately 14 million workers were covered by written collective bargaining agreements.

There is no question that, in the competition for skilled labor, the wage scale paid to those in the organized groups had to be met in order to retain the employees. What is true regarding labor costs for the organized laborer is true of the others. However, in order to remain conservative in the figures presented, only the 14 million organized workmen will be considered. Also no overtime hours, or rates of pay, will be considered.

With the demand for every producible class of goods, even industries which are normally seasonable could, under present normal conditions, have offered full time employment. Using the 40 hour week, and 50 weeks of employment the workman could have had 2000 hours of straight time employment. At $1.25 per hour, which was below the *average* wage for skilled workers, we find that the workman had a possible minimum straight time wage of $2,500.00. The average wage increase of these workers has been 17.5 per cent, or, based on the possible minimum, $437.50.

Bear in mind that I am not using overtime hours or rates. Neither am I considering lost time. It is my contention that, had there been no loss of time through strikes, every workman, willing to work, could have had full time employment.

Fourteen million workers, with an average wage increase of $437.50, means an additional wage cost to the employer of $5,125,000,000.00. Unless the employer can offset this cost by a higher price for his product (and events have proved that he has done so) industry's taxable income would be reduced by just that amount. The corporate tax, at 38 per cent would be $1,947,500,000.00. Of course the worker would be taxed on the additional income. At the minimum of 19 per cent that tax would be $973,750,000.00.

Thus, under the present system of raising wages, and then raising prices, we find the worker's dollar buying less than before, and, at the same time, he has less of those dollars to spend because, out of the fictitious increase of income, he has had to contribute for taxes, 19 cents of every dollar received.

Now the Other Side

Let us assume, for the sake of argument, that there had been no increase in the wage scale, and, in consequence, no increase in living costs, and see what might have been the result.

Industry would have had an additional income, before taxes, of $5,125,000.00, paying an additional tax of $1,947,500,000.00, with a surplus of additional income, *over taxes*, of $3,177,500,000.00. This saving to industry could have been used as a basis for *reduction* of price of its commodities, reducing the living cost of the worker. The worker could have, even without reduced living cost, a reduction of his tax burden of $973,750,000.00, which in itself, would be the equivalent of a wage increase, at the original basic living cost, in excess of 20 per cent. The government would have had a net increase in income tax revenue of $973,750,000.00. This increase could have been a factor in determining whether or not the individual income tax rate could be reduced.

To summarize then this method of trying to lift ourselves by our own boot straps has resulted in:

Loss to industry of a possible net income of $3,177,500,000.00 which could have been applied to reduction of price to the consumer, or expansion of business, increasing employment opportunities, or both.

Loss to the worker of $973,750,000.00 by a further tax drain from the chimerical wage increase.

Loss to the Government of $973,750,000.00 of additional income taxes.

What About the Rest of Us?

All the foregoing figures have been based on the 14 million organized employes. There are, at present, over 16 million unorganized workers, some of whom are receiving a wage scale equal to the organized workers. Add theirs to the figures shown, and the conservatism of the losses shown is made apparent.

Then there are those who, by diligence and thrift, have managed to save to insure a living in their declining years. A reduction of income through decreased interest or dividend rates, coupled with the added cost of living has brought many of them perilously near the point where income will not meet the barest needs. Can we, as a nation, eliminating all humanitarian ideas, and basing our calculations on strictly economic grounds, force this group to become dependents, placing them in a position of being a further drain upon our economy instead of being a contributor as a taxpayer?

We have passed the point in our economy where the principle of diminishing return has become effective.

Let us reverse our approach to a declivity over which, if we plunge, there is no place to stop except the bottom.

What Is the Answer?

At the outset I said I could not give the answer. There is, however, one step in the right direction that

(*Continued on page 29*)

Equitable Attachments and Levies

Some Light on a Subject Rarely Discussed

by CARL B. EVERBERG
Attorney-at-Law, Boston

Occasionally I hear about "equitable levies and attachments." In what way do they differ from ordinary attachments and levies and of what benefit may they be to a creditor who might make use of one?

This question has brought to our attention the fact that in acquiring information as to the meaning and usefulness of an equitable attachment, credit men may actually find a way to unearth the gold in some hills not generally thought about. For not all the interests which a debtor may have or own, and which might be applied to the payment of a creditor's claim, are represented in a debtor's balance sheet. For example, a debtor may have, even since making a complete disclosure as to his assets, acquired certain legal rights, or become entitled to sue on some claim, intangible and invisible, which when it is liquidated and made available in the form of money damages, represents just as competent wherewithal to pay his debts as any other kinds of money or property.

To come down to practical things, we might just mention a set of circumstances in which a certain credit man picked up a stray bit of information about a suit his debtor was carrying on at the time in court, which netted the creditor several thousands of dollars in full by placing the information in the hands of their attorney at the proper time. When the credit man learned of the litigation, the debtor was wholly without any means to pay the account and it might have been charged off as uncollectible except for this fortuitous bit of information. And the manner in which it all worked out is pictured in the balance of this answer, explaining the nature of the remedy and how it is applied.

Suits in Equity

The interest of a debtor subject to equitable attachment or levy must be of such a nature that it would not be subject to an ordinary attachment or levy. Of course, any objects, money, things which can be seized are the subject of ordinary attachment. And attachments are made in actions at law, although in most states unless there are certain statutory grounds for making the attachment before judgment, they cannot be made until the creditor has obtained a judgment. But an intangible interest or unseen right which a debtor has cannot be seized; therefore the ordinary attachment at law is futile because there is nothing an officer can lay his hands on and carry away. Therefore, a creditor who knows of some interest which his debtor has and which cannot be reached or taken in attachment or on execution must resort to a suit in equity. And by obtaining a decree from the equity court to reach and apply the interest and for injunctions against the debtor from disposing of it or against the party who owes the debtor from paying it to the debtor, a result is achieved which is as effective as any attachment of goods in a law action. Since the remedy is in a court of equity it is called an equitable attachment (or execution).

This right of equitable attachment or levy is generally governed by statute, although some states have recognized the remedy as a common law remedy in equity. In the state of Massachusetts, the action is governed by statute and is called a suit by a creditor "to reach and apply." In this state a creditor need not wait to obtain a judgment before filing a bill in equity but may ask for a decree establishing the debt in the same action, and this decree is analagous to a judgment in an action at law.

Interests Which Can Be Reached

As instances of the sort of interests or property rights which a debtor has which can be reached in one of these actions in equity, we mention the following. Letters patent, being of such a nature that they cannot be attached or taken on execution in a suit at law, can be reached in one of these equity actions. A valuable option on real estate secured by the debtor of a creditor is something which can be reached by a bill to reach and apply. *Eastern Bridge Co. v. Worcester Auditorium* 216 Mass. 426. Promissory notes which were given by one partner to his former copartner residing in another state, and placed with a collection agency for collection were subject to one of these equity actions. Royalties to accrue in the future from a book publisher may be reached and applied in a similar action.

It has been held that where a policy of life insurance was expressed to be for the benefit of the wife of the assured, this was an interest which could be reached and applied by a suitable bill in equity. The interest of a debtor under a will of his grandfather, which will vest in him if he survives his father, is an interest which can be reached in this manner. Though it was an interest which might be lost by death of such debtor before the death of his father, it was neverthe-

less a property interest which was assignable and the value of which could be appraised. Where a widow has not yet had her dower right assigned to her, a creditor of such widow had the right to have the dower right reached and applied.

How to Go About It

The kind of interest which the credit manager of the second paragraph above learned of was a suit which his debtor had started against certain other parties for an accounting as partners. How he learned of it is not material. He learned of it through some channel of information and he might not have learned of it at all because his debtor and the litigation were removed from him several hundreds of miles in a totally different state. This information made him alert and he passed the information along with the claim to an attorney. The local attorney making an investigation discovered there was actually such a suit; it had gone so far at the time that the court had entered a decree in favor of the credit manager's debtor for several times the amount of the debt owed to the credit man's firm. The suit had been bitterly contested and the defendants appealed the decree to the supreme court. The attorney for the credit manager's firm brought a bill in equity alleging the debt and further alleging that the debtor was not seized or possessed of any property in his own name which could be come at to be attached or be levied upon in an action at law; that the debtor did have a certain asset which could not be reached or attached in an action at law, namely his cause of action against the alleged partners, describing it at the same time. He then prayed for a preliminary injunction against the debtor from disposing or otherwise assigning, transferring or encumbering the interest in the proceeds of the decree; and he prayed for a preliminary injunction against the alleged partners against whom the decree had been entered, from paying the amount of the decree to the debtor, and the injunctions were granted. At a later hearing the injunctions were made permanent. The injunctions then remained, and in a few months the supreme court affirmed the decree of the lower court. The defendants in that suit then proposed to pay the amount of the decree into court so that the injunction would not be violated. It was not long after that the court ordered so much of the proceeds as were necessary to pay off the claim for which the injunctions had been granted. The credit manager by his prudence had salvaged the whole claim because he had capitalized on the information which came to his ears concerning his debtor's suit for an accounting.

See Your Lawyer

What the nature and form of the proceeding is, under which an equitable attachment may be secured in various states, is something for attorneys to determine. The relief in one state may not be so broad as that in some other state; it may be necessary in some states that a judgment be first obtained. The pertinent statute in Mass. is General Laws, C. 214, sec. 3.

In a majority of jurisdictions in this country bills of this nature have been entertained in absence of statutory provision. It has been said that it would indeed be a reproach to the administration of justice if a debtor, by converting his estate into choses in action, or stocks, or if his estate consisted of such property as cannot be reached by an execution, he should be able to hold it in defiance of his creditors. And, in nearly all the states, statutes have been enacted giving execution creditors who cannot satisfy their executions at law, the right to compel discovery of other interests and property and to satisfy them in such actions. Such a proceeding is sometimes known as an "equitable levy" when the action cannot be maintained before judgment.

It is likely that Massachusetts is unique amongst the states in the respect that it is not necessary for a creditor to have a judgment. This is why he can proceed to an equitable attachment. Generally (meaning in other states) it is necessary to not only have a judgment but that an execution must have been returned unsatisfied before the equitable remedy can be invoked.

Capitalize on Information

But whether a creditor must first have judgment or not, the lesson is the same. A credit man, being alert, may capitalize on information about his debtor (or about interests which he may have or may acquire of the intangible, unseizable variety). He should from time to time try to learn as to whether his uncollectible debtor has any of the following interests:

Letters patent, royalties to accrue on published matter.

Option on real estate.

Notes from other parties.

Stock certificates.

Future contingent interests under wills, trusts.

Judgments which the debtor may have obtained against others.

Claims (although in some states they must be reduced to judgment) against other parties.

Crops raised on a farm rented by debtor.

Interests in insurance policies, whether life, fire, etc.

The right of the debtor to redeem property under a mortgage and especially to any surplus above the amount of the debt.

Future rents under a lease.

Where the debtor has any vendor's lien for unpaid purchase price of property.

The states are not entirely uniform as to whether all the above items may be subject to the equitable relief as explained herein, but for the most part these items are generally held to be reachable under either the equitable attachment process (as under the Mass. statute) or equitable levy of execution. It is well therefore to have a claim reduced to judgment so as not to be met with the defense that it must be in judgment form (and execution returned unsatisfied) if the occasion should arise suddenly where information would lead to taking advantage of the relief offered in the equity courts.

Training Field Personnel

Changing Credit Conditions Demand Reorientation

by J. A. WALKER
General Credit Manager, Standard Oil Company of California, San Francisco

The adequate training of personnel has always been one of the major responsibilities of all credit executives. In fact, the thoroughness of this training is directly related to the effectiveness of any Credit Manager. To that extent, then, this is no new problem which I am discussing, but there are some new factors which make this a problem of immediate vital concern to each one of us. First, there is the large number of new employees untrained in credit who have been employed within recent months. Second, we have a number of men engaged in credit work or whose functions are affected by credit, whose credit experience has been limited to the abnormal conditions pertaining to the war years. Third, there is the unusual opportunity the current combination of circumstances offers credit executives.

Start With Ourselves

Before we proceed too far into the subject of training field personnel I think we have an important item closer to home to consider. Have we completed our own orientation of thought and planning to provide for the transition from those credit-easy war years to the credit situation we are now facing both present and future? Have we put on paper our thinking as to just what the effects of those credit-easy years have been and what the requirements of the present and the future will be? This will include a summation of certain economic factors, for although as Credit Managers we are not expected to be economists, we are expected to be acquainted with some of the thinking and predictions of our leading economists—confusing though these may be at times.

As we carefully reappraise our own responsibilities let us be very critical about such things as "attitude"—also we should guard against that inherent feeling in all men which objects to change—in short, let's take a good look at our personal thinking on the subject of credits.

Let's remove from our own thinking any negative approach to our jobs and replace it with a positive approach. This is our first step in preparation for credit training of other personnel. The success of credit executives will be measured by their contribution to the successful marketing of their companies' products. This contribution will result from a positive appraisal of credit work and an elimination of negative thinking as applied to credits.

After we have completed our own orientation we will be ready for the next steps, which are ones that will materially assist in preparing a good climate for field personnel training.

First, we should play our part in furnishing Top Management with the necessary factual information regarding this transition on credit matters. For example, our collection percentages of wartime cannot be expected to continue. As the percentage of *delinquency increases more working capital will be required* for receivables—*More manpower hours will go into credit work;* and *losses,* almost extinct during the war, must again be considered in arriving at net realization.

Second, there is then the vital necessity of acquainting Field Management with the changes that have taken place. A carefully prepared presentation as a part of Management meetings where the important phases of all of their responsibilities are being considered is advisable, as well as to sit down and talk with them personally. There is more involved in this transition than merely to train a new clerk, a supervisory clerk, or even an Assistant Credit Manager. There is the *time element credit will now require,* not only from personnel directly assigned to full time credit duties, but the additional time credit will now require of *Field Management,* of all their *sales personnel,* and of their *delivering personnel.*

Third, there will be the need of considerable counsel and advice, at what we term *Branch Management levels,* to help these men with the credit authority and responsibility vested with them. The return of prewar credit and collection problems may mean *a first time experience with such problems for the men promoted to these positions in the past few years.*

Special thought should be given to the returning veteran, who even with prewar experience, will need a lot of help to become familiar again with his credit duties. Also new employees with no concept of credit or our companies' use of credit will require special guidance.

If in our approach to this subject called training we correct the misconceptions, the mistakes, the inadequacies of the past, we will accomplish something worthwhile. However, now is our golden opportunity to go far beyond this—to have a thorough understanding and a sound relationship in the entire credit field as it relates to Top Management, to Sales Management, and most important to our companies' customers.

Special Problems

My suggestions for credit training of field personnel would include taking advantage of the facilities available

through courses offered by the various Universities and local Credit Associations. But in addition, I want to emphasize certain phases to which I think it advisable to give special added attention.

This problem is not confined to the training and indoctrination of new credit employees, but also new sales and delivery employees whose duties include certain credit responsibilities. The orientation of the thinking of all experienced personnel whose work is related to credit is equally essential. The *approval of credit* and the *collection of money* under present and future conditions will be quite a different matter from that work during the war years. The personnel whose only credit experience was from 1941 to 1946 will need a new concept of credit to meet conditions ahead. There is a danger that even more experienced employees have been lulled into a false feeling of credit security as a result of conditions which minimized all approval and collection problems—a period where credit problems were few, current collections high, losses practically nil and where this good overall credit performance was in spite of all of us almost as much as it was on account of any of us.

Four Guides for Trainees

A comprehensive program for credit training of field personnel and the orientation of credit thinking includes the following:

1. A *basic company credit policy* which is transmitted to all interested personnel and which is understood by them.
2. A statement of authority and responsibility so that each employee may have a definite understanding of his responsibility and the authority which has been vested in him. With our Company, this has been done by means of a *Management Guide* which gives specific authority covering such items; for example, maximum lines of credit which may be extended, extensions of time which may be granted, etc.
3. A *Job Description* should be prepared which outlines the functions, duties and responsibilities of each credit position. It is not sufficient that this Job Description be prepared and kept in the files; preferably, a copy should be given to the employee so that he may be thoroughly familiar with the tasks which he is expected to accomplish.
4. After the outlining of policy, authority, responsibility and the preparation of Job Descriptions, the employees should be provided with the procedures to be followed in performing their duties. In my opinion a *manual* outlining procedures is necessary not only to aid in personnel training, but also in order to provide for a uniformity in the application of Company policy and procedure. Now is an ideal time for a new up-to-date credit manual.

Other Aspects

These four items upon which I have just elaborated—statement of credit policy, delineation of authority and responsibility, Job Description for each employee and a manual of procedures—give the credit employees the basic background necessary for them to perform their work intelligently. They are the foundation upon which we build. It is necessary that these be implemented and here we come to the second phase of our training program.

"On the job" training where the new employee is guided by a well-trained and experienced Supervisor is, of course, of prime importance. If we are to develop our young men into future credit executives, it is necessary that this phase of their training be wisely handled.

I will not cover here the requirements of a good credit executive, the educational background which is desirable, the outside activities which are beneficial and the outside reading which should be done in order to make these young men well-rounded citizens of their communities. I am dealing here only with the training of these men from a professional credit standpoint.

They should have available to them credit publications such as, "Credit and Financial Management," "Credit World," "Dun's Review," etc. Various credit textbooks with which you are all familiar are also of importance in giving these new employees a broader credit background.

There is a marked value in the dissemination to both credit and sales personnel of credit information relating to current economic conditions. Facts about economic developments, trends, anticipated changing conditions and problems relating to both general conditions and specific matters should be currently provided as a part of Credit Management.

District Conferences

To those of you having District or Division Credit Managers the value of conferences of these key credit people is recognized. There are constructive results from the group thinking of these experienced Credit Managers. These conferences should be set up on a basis whereby each man in attendance actively participates.

You should become fully acquainted with the personnel training program of your own company and if, for example, your company has a training program for sales personnel, there is a distinct advantage in having a credit spot in that training program. After you get that spot—whether it is one hour or a half day, be sure your preparation is adequate in that you not only make a practical contribution to the overall training program but also that you have increased the stature of credit in the thinking of those who listen to you.

Everything that I have said so far is intended to enable you, as Credit Managers, to project your thinking into the field so that you will be assured of uniform administration of credit in accordance with your company's desires.

Individual Contact Most Important

I have saved for the last what I consider the most important part in the training of personel in credit matters. I have discussed with you procedures, policies and mechanics of administration in order that sound credit conclusions may be reached. This is the point where many credit training programs seem to stop. Little attention is given to the communication of these decisions to our customers. This man-to-man contact by one employee in one particular case with one individual customer is the most important phase of all in the

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Need For Sound Credit Policies

Credit Man Has Key Role in Inflated Economy

by **DOUGLAS H. BELLEMORE, Ph. D.**

Chairman, Economics Department, College of Business Administration, Boston University

Consumer credit has been an essential factor in our economy for a long time. Installment credit, the most volatile item in the credit picture, is normally necessary to support a high level of production and before long it must assume this role again.

We have just come through a war which seriously disturbed our entire economy and caused a shift of production from consumer goods to war products. With few consumer durable goods available and with a great surplus purchasing power in the hands of consumers, consumer credit—especially installment credit—was not in much demand. This, much more than Federal control, accounted for the extremely low level of consumer credit during the war years.

However, it was obvious to all that many controls were necessary during the war, including control of prices to prevent the unprecedented demand from skyrocketing the prices of goods already in short supply and the control of consumer credit to prevent such credit from increasing the already tremendous stream of consumer income and adding fuel to the fire of consumer demand.

While there was a large amount of criticism during the war of the various controls, of black markets and the like, the general American public fared remarkably well. Overall prices were kept down, and in general essential goods were fairly distributed. The black market was not the normal market as it was in many other countries.

Was OPA a Good Thing after All?

I must confess that being one who favors an economy as free as possible from government control—one where the government mainly acts as a referee—I favored the abolition of price and ration controls soon after the end of the war.

I am sure that many economists and business men have been somewhat conscience-stricken at the results. True, many factors contributed to the great rise in prices—the continuing scarcity of goods in relation to the domestic and foreign supply of funds available for the purchase of these goods, higher than expected foreign demand, and foreign trade so drastically one-sided, continued operation of government agencies in the agricultural markets, the lag in anticipated industrial production, the persistent demand of unions for higher wages, and the poor crop weather, especially in the corn belt—but many business men in a position and with a duty to estimate the future had said in the summer of 1946: "Remove controls and prices will soon be stabilized."

Could Business Do More?

The results, like watching the atomic bomb, have been almost awe-inspiring. Is it possible to say that business men have done *all* in their power to keep prices from rising, especially in resisting wage demands; that they have asked for and accepted their responsibilities? Responsibility must be shared by business men, labor, the government and the farmer, for the present high prices. But shouldn't leadership in a democracy come from business men, as in the case of the Ford price cut? Mr. Ford announced the price cut in January, 1947, even though the Ford Company had only made a profit in the fourth quarter in 1946. Mr. Ford stated:

> This is our "down payment" toward a continued high level of production and employment in the months ahead. We believe that the "shock treatment" of prompt action is needed to halt the insane spiral of mounting costs and rising prices and to restore a sound base for the hopeful period of postwar production we are now entering. . . .

Having done this the business man can point out to labor that with wage costs up 73% and prices up 78% since 1939 production per man hour must be increased. Only cooperation between labor and management will solve our price problems.

In any case prices are not only spiraling upward but the forward movement has taken an added impetus the past few months. The result is that while solving many of the mal-adjustments caused by the war we have created others of at least as serious a nature and the economic scene is confused.

Consumer Credit Demands Increase

While shortages continue in certain lines, especially in automobiles and other consumer durables, already the need for consumer credit to support some sales at inflated prices has been felt. Despite an all-time high in income payments to individuals many consumers are either using up savings or going into debt. Some of our pipelines are being filled up, and June and July exports showed a sizable drop over May figures.

The maladjustment caused by the inflationary boom, that should concern the credit men the most, is the squeeze that is being placed on many consumers in the income class below $4,000 which, according to a Federal Reserve Study, accounted for 85% of all income units in 1946 and 82% in 1947. This group has relatively small savings, and as they feel the effect of the price squeeze they are not anxious to use their savings for consumption purchases *even* of consumer durable goods. They stated that they had no expectation of using their liquid assets for any purpose in 1946-1947.

What is the situation in consumer credit today? During the year ended July 1947 installment credit expanded by over two billion dollars. *Total* consumer credit expanded by 3.3 billions or 40% during 1946, and at the present time is at an all-time peak of 11 billion dollars, surpassing the previous peak of 10 billion dollars.

Commercial banks have been particularly outstanding as their consumer installment loans increased from $1,053,000,000 in May 1946 to $2,025,000,000 in May 1947 with automobiles accounting for about one-third, other retail purchases as well as repairs and modernization loans for another third and personal installment cash loans for about another third. The increase in consumer credit has been steady, month by month, since February 1945.

Does Not Compare with Prewar Figure

As a percentage of national income the present consumer credit total of 11 billion is low compared to pre-war figures. Proponents of increased consumer credit point to pre-war percentages varying from a low of 8.4% in 1934 to a high of 12.9% in 1941. With disposable national income running at about 170 billion a year consumer credit is only 6.5% of that figure, in spite of the expansion of installment credit by two billion during the last twelve months. It is one thing, however, to have the figure swell gradually to 10% of disposable National Income and reach that percentage towards the top of an inflationary boom. It is quite another to suddenly inject six or seven billion of credit into that income stream, especially with two billion dollars just being placed in the hands of veterans.

Regulation W—Pro and Con

In the summer of 1947 with greatly inflated prices which kept spiralling upward the question arise as to the continuance of Federal Credit Control. The most outspoken advocate of Federal Credit Controls was Chairman Eccles. Speaking before the House Banking and Currency Committees he stated that Federal Control was necessary and imperative because "voluntary efforts made by far sighted retailers, sales finance companies, banks and other lenders, to prevent down payments from becoming over-extended in time of credit expansion are ineffectual because of the aggressive competition of those who will not voluntarily cooperate in this objective."

However, pressure against Federal Controls of all kinds were running strong in Congress and so Regulation W became a thing of the past November 1, 1947. Many people doubted the ability of the Federal Reserve Board to enforce its regulations in peace-time as black markets in credit were reportedly already operating.

Consumer Credit Affects Business Cycles

Credit is debt, and debt should never be extended beyond the ability of the borrower to repay. Any boom that we have will be a credit boom. Excessive expansion and subsequent contraction of consumer installment credit will exaggerate the business cycle both in booms and in subsequent periods of adjustment. When Federal control of consumer credit ended on November 1 we had only the control exercised by business—individual credit men, sources of credit such as commercial banks, plus any voluntary pressure exercised by such associations as the American Bankers Association and the National Association of Credit Men. Why is sound voluntary control vital now? It is because we are experiencing a great inflationary boom and if the inflationary spiral is given a big shot in the arm and prices are pushed up still further by the rapid expansion of consumer credit the necessary adjustment that will follow will be much more severe than it otherwise would be.

Mr. Carl M. Flora, Chairman of the Committee on Consumer Credit of the American Bankers Association, stated at the spring meeting of the Executive Council of the ABA: "In the opinion of our committee tremendous pressure is going to exist within the next year or so to extend installment credit on unsound terms and the pattern has already been started. It is apparent to those who are studying the field of merchandising that credit is going to be the most formidable competitive weapon in the years ahead. Our committee is deeply conscious of this responsibility. We have made a prolonged study of what the terms might and should be." Recent Boston newspaper advertising by department stores concerning their credit plans emphasizes Mr. Flora's statements.

Banks' Consumer Loans Increasing

This is a particularly important statement coming, as it does, from the American Bankers Association, when we realize that the banks have been consistently increasing their stake in the installment credit field In 1939 commercial banks accounted for only 24% of the total installment credit business but that percentage has increased to 42% in 1947. In 1939 banks accounted for only 17% of all automobile installment credit but in 1947 the percentage has increased to 35%.

The National Association of Credit Men, as an association, as well as all its members individually, has a great social responsibility. Federal Credit Controls have been removed and private business enterprise again must show its mettle. I have been anything but happy with events of the past year. Some business men, in fighting to keep prices down, have not been aggressive and some even willing to ride with the tide. Long-term social responsibilities have, in some instances, been sacrificed for high short-term profits, a

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The Credit Executive's Library

A Monthly Review of Important Books

by DR. CARL D. SMITH
Director of Education, National Association of Credit Men

Credits and Collections in Canada. Sponsored by the Canadian Credit Institute, Credit Granters' Ass'n. of Canada, the Canadian Credit Men's Trust Ass'n. Ltd., and the Associated Credit Bureaus of Canada. Published by the Ryerson Press, Toronto, 1947. $2.75.

For credit executives whose firms are doing business in Canada here is a volume well worth adding to the library. It consists of the composite viewpoints of 58 different credit, financial and other executives and authorities of Canadian firms and organizations. It is the first publication on the subject of Credits and Collection Procedure and Practice published in Canada. It has been adopted as the official text book of the Canadian Credit Institute.

The book consists of four parts as follows: Part I presents subjects applicable to both wholesale and retail credit. Part II is concerned solely with wholesale credit procedures and problems. Part III presents a complete treatise of retail credit practices. Part IV presents the various acts and statutes which determine the legal remedies that may be utilized.

The book presents a wealth of interesting and valuable information and as such a source book will serve its purpose satisfactorily. The reader will continually find himself profiting by the experience of others. The book lacks the continuity of presentation which would have resulted from the treatment by one author. However, those who are responsible for compiling this volume have done well in minimizing this fundamental handicap.

Foreign Credits and Collections, by J. Rodriguez Sanchez. Published by Prentice-Hall, Inc., New York, 1947. $6.50.

At last here is a volume which fills a long unmet need for systematic treatment of the procedures of foreign credits and collections. The author has endeavored to treat the subject from a practical point of view but at the same time has not overlooked the basic fundamentals of international trade. The author warns his reader that "since export trade practices change frequently it is essential for the foreign credit man continually to revise and adjust his ideas to the new age of doing business. Above all he must avoid the risk of falling into a mechanical formula in granting foreign credits."

In the first part of the book the author presents the principles and practices of foreign credits with two introductory chapters, one devoted to a general treatment of foreign trade and the second to the relationship of international trade to the economy of the United States. Other chapters present the work of the foreign credit man, methods of the foreign credit department and the functions of the foreign agent.

In the second part of the book the analysis of risks is developed. The author does well in presenting the parallels between domestic and foreign credit practices as well as outlining the difference.

Part three is devoted to the problem of financing export business, and part four to the problem of collection of foreign accounts. The concluding chapter is devoted to the legal aspects of foreign credit.

The book is filled with excellent illustrations and forms so that the reader can readily visualize the various transactions in which credit plays an important part. Two valuable adjuncts to the text are found in the appendix, in which will be found statistical and other information of value and an unusually complete bibliography.

Trust Receipts—By George B. McGowan, Vice-President of Corn Exchange Bank Trust Company, New York—The Ronald Press Company, 198 pages, $4.00.

Reviewed by W. Randolph Montgomery, of Counsel, N. A. C. M.

The trust receipt, and the Uniform Trust Receipts Act, which regulates its use in twenty-five states, are little understood by the average layman and lawyer. The statute itself is perhaps the most complicated and difficult to comprehend of any of the uniform acts, and lawyers as well as layman find themselves baffled by the unfamiliar terminology.

A treatise explaining the uses and abuses of trust receipts,—their advantages when used for the purposes for which they are adapted, and the pitfalls that attend their use by the ignorant and the unaware,—was badly needed. Mr. McGowan in simple language has cut through the morass of technical phraseology, and has offered to the public a textbook which should be read and studied by bankers and business men, and by all members of the bar.

As the author points out, trust receipt financing opens new fields of profitable usefulness to bankers, while at the same time providing a convenient and flexible means of financing inventory without the necessity of investing large sums in inventory. "Just

as the hose will enable you to put water where it is needed," he says, "so does the trust receipt put the goods where they are needed."

The following is an illustration of how a trust receipt may be used: A manufacturer's terms of sale require payment before the dealer can sell the goods and obtain payment for them. The dealer arranges a letter of credit with his bank in favor of the manufacturer. The bank engages itself to honor the manufacturer's drafts and stipulates for bills of lading to the bank's order covering the goods, to be attached to the drafts. The bank honors the drafts and acquires possession of the bills of lading, which it thereupon delivers to the dealer on trust receipt. The dealer (the trustee), with the bills of lading in hand, gets the goods which he thereafter sells in ordinary course of business paying the bank (the entruster) from the proceeds of the sale.

The trust receipt signed by the trustee and delivered to the entruster states either that a security interest in the goods remains in, or thereby passes to, the entruster, or that the documents of title and the goods they represent are the property of the entruster. The receipt also engages the trustee among other things (a) to account to the entruster for the proceeds of sales or to return to the entruster such documents as the trustee receives in place of the documents surrendered; (b) to segregate, and keep segregated, the goods covered by the trust receipt; and (c) to keep the goods insured to the satisfaction of the trustee.

Trust receipts, Mr. McGowan points out, have evolved through the years, and until the enactment of the Uniform Act, were not required to be recorded or filed to preserve the entruster's security interest as against creditors of the trustee. Such is still the law except in the twenty-five jurisdictions in which the statute has been adopted, where a Statement of Trust Receipt Financing must be filed in the office of the Secretary of State within thirty days after the transaction occurs.

The thirty-day interval between the consummation of the deal and the recording of notice appears to Mr. McGowan, as it must to others, to be unreasonably long and to offer opportunity for deception of creditors of the trustee who rely upon the trustee's ostensible ownership of the goods. The time for filing notice, he suggests, should not be longer than in the case of a chattel mortgage,—usually ten days.

Not only may creditors suffer from the thirty-day filing period, but, as the author points out, Connecticut, Illinois and Indiana have added to the Uniform Act a paragraph (known as the "Chattel Mortgage Clause") which brings within the coverage of the Act loans secured by trust receipts on goods or documents *already in the possession of the borrower* who retains possession. Under this clause the borrower is enabled to avoid for thirty days any public notice of what is in effect nothing more than a chattel mortgage.

With the present agitation to amend the preference section of the Bankruptcy Act (Section 60) to protect the entruster's security title against a trustee in bankruptcy, it is surprising that Mr. McGowan fails to mention the alleged cloud cast on the entruster's title by that section.

"Nice voice, but he doesn't appear to be much of a musician!"

The argument is that Section 60a of the Bankruptcy Act necessarily makes trust receipts subject to avoidance by a trustee in bankruptcy of the borrower because the entruster's title is not, and by the very nature of the transaction cannot be, perfected as against a *bonafide purchaser.* Section 60a defines a preference as follows:

"A preference is a transfer as defined in this Act of any of the property of a debtor to or for the benefit of a creditor for or on account of an antecedent debt made or suffered by such debtor while insolvent and within four months before the filing by or against him of the petition in bankruptcy * * *, the effect of which transfer will be to enable such creditor to obtain a greater percentage of his debt than some other creditor of the same class. For the purposes of subdivisions a and b of this section, a transfer shall be deemed to have been made at the time *when it became so far perfected that no bonafide purchaser from the debtor* and no creditor could thereafter have acquired any rights in the property so transferred superior to the rights of the transferee therein, and, if such transfer is not so perfected prior to the filing of the petition in bankruptcy * * *, it shall be deemed to have been made immediately before bankruptcy." (Italics supplied)

The Bankruptcy Act, Section 1 (30), defines transfer as follows:

" 'Transfer' shall include the sale and every other different mode direct or indirect of disposing of or of parting with property or with an interest therein or with the possession thereof or of fixing a lien upon property or upon an interest therein, absolutely or conditionally, voluntarily or involuntarily, by or without judicial proceedings, as a conveyance, sale, assignment, bailment, pledge, mortgage, lien, encumbrance, gift, security or otherwise."

It is the requirement in Section 60a that the title of the transferee shall be perfected as against a *bonafide purchaser,* that is alleged to throw doubt upon the validity of the security title retained by the entruster in the event of the bankruptcy of the trustee.

Obviously Mr. McGowan does not share this fear—perhaps because he does not believe that a true trust receipt transaction involves a "transfer" within the

meaning of Section 60, except in the cases provided for by the chattel mortgage clause found only in the Connecticut, Illinois and Indiana statutes. In any event, it would be enlightening to know Mr. McGowan's views on this controversial point.

In a paragraph-by-paragraph analysis of the Uniform Act, Mr. McGowan explains the statute with simple illustrations of the meaning and application of its various provisions. He has so clarified the Act that even those who are unfamiliar with trust receipt financing may readily understand it.

In the words of Professor Karl N. Llewellyn, of the Columbia University School of Law, "His book is to be recommended and without reservation, to any man who needs—or wants—to know his Trust Receipts." Among the many who need to know the law of trust receipts is the credit man, for unsecured credits are largely granted on the basis of inventories which may or may not be encumbered by an unfiled trust receipt.

Money, Credit and Banking (revised edition), by Ray P. Westerfield, Professor of Economics, Yale University. Published by Ronald Press Co., New York, 1947. $5.00.

This is not a volume to be read hurriedly or lightly as its nearly 1100 pages are packed with up to the minute, valuable information on the subject of money, credit and banking. Credit and financial executives can go far towards re-charging their economic batteries with a dynamic current of thinking which Dr. Westerfield portrays in his writings. The author has always been interested in the credit executive and his responsibility, and I have no hesitation in recommending this excellent work to every credit executive who is interested in broadening his knowledge of financial problems and of our economic structure. Let the author press his point for the need of such reading in his own words. "In this rapidly changing world it is highly desirable to keep abreast of the current of affairs, to survey at frequent intervals the events that have occurred, to re-appraise their significance in determining the trend, and to weigh how the changes of institutions and basic hypotheses modify the conclusions heretofore held valid and good."

The first nine chapters are devoted to a treatment of the nature of money and of its use as a medium of credit; the next three chapters present credit instruments and the protection of credit. Other sections of the book deal with the functions of banks in our economy, changes in the value of money and in monetary standards. Throughout considerable emphasis is placed on credit controls and on monetary and credit policies.

The author has effectively presented the major changes that have occurred with relationship to money, credit and banking and how these changes have affected our financial theory, our economic policies and the services and operations of our financial institutions.

Union-Management Co-operation, by Kurt Braun. Published by The Brookings Institution, Washington, D. C., 1947. $3.00.

Here is a practical and realistic approach to a study of the conditions under which union-management co-

Credit Manager? Credit Consultant? Credit Promotion Manager? What title do you think best describes the Credit profession?

See Page 32

operation may be achieved. While the study has been centered upon the clothing industry, the implications are far-reaching for any industry. Executives may therefore wisely spend time acquainting themselves with this valuable contribution from the Brookings Institution.

The study analyzes the reasons for, as well as the objections to, co-operation. It also effectively presents the problem of harmonizing the contending points of view of management and union policies. How union-management co-operation has developed in the clothing industry and how it functions has been most effectively presented by the author. He shows what has been accomplished through collaboration on problems of wages, profits, price structure, employment and welfare services. Of great interest is his analysis of the joint contributions of unions and management in the formulation of plans to regulate business fluctuations and trade practices, and to improve efficiency of protection all along the line. The end result has been industrial peace.

Here are some choice statements which characterize the entire study. "The philosophy of collaboration became so established that it survived severe business depressions and other difficulties which destroyed co-operative efforts in other industries. Clothing manufacturers and unions have reached a very advanced stage of co-operation; now most employers are no less anxious than unions to preserve co-operation as the basis of employer-employee relations.

"There are increasing numbers of American employers who realize that the best industrial relations are those which rest on voluntary, mutual understanding; and this is a basic philosophy of union-management co-operation. In industries and enterprises in which this philosophy prevails, management and unions will be able to determine in a mutually satisfactory manner the areas of joint functions and responsibilities." "Under genuine union-management co-operation peace is based not on compulsion but on mutual consent. Only industrial peace of such a kind can reasonably be expected to last, whereas any imposed peace is not genuine, nor can it be relied upon in the long run."

How to Write Good Credit Letters, by William H. Butterfield, Educational Director, National Retail Credit Ass'n. Published by National Retail Credit Ass'n., St. Louis, 1947.

In the 100 pages of this book the author presents in concise form some of the basic requirements of effective credit letters and types of letters illustrating the fundamental principles outlined in the first half of the book.

For the credit executive who is interested in credit letter writing he will find this book a good supplement to his library. It is well written from the point of view of personalizing credit correspondence.

Your Letters Are You!

Correspondence Is A Substitute for Personal Contact

by CHARLES P. PERRINE
Assistant Credit Manager, Essex Wire Company, Fort Wayne

Correspondence is a substitute for personal contact. This is a fact, commercially as well as socially. Often there is the consideration that a letter is to serve additionally as a record and reference (and this merely increases the importance of its being a good one); other than that, a letter is written as a concession to time, distance, and expense. If we all lived and worked in one room, there would be few letters written.

The credit executive is not a robot whose essential performance is the analysis of probabilities and the collection of debts. Neither is the credit worker, if he has any contact with the customer. Both are company representatives and salesmen of real importance in every letter they write. This point is unqualified when we realize that salesmanship applies not only in the procurement of orders for a commodity, not only in the development of good will, but, actually, in the directed attainment of *any* desired result.

And Salesmanship is personality!

Bad Habits Die Hard

There was a time when business correspondence had assumed such a degree of stereotype as to stifle nearly all expression of personality. I do not know how this circumstance came about. Today, modern times are hacking at sham with merciless strokes. That is the general trend, and without doubt the trend is slowly sparking the letters of the business world. Too slowly, because there are thousands of men seasoned in their businesses, in their jobs, capable and intelligent —even brilliant men—who are still espoused to the form phrases in letter writing. These phrases and words have become habits almost as malignant as poor grammar. And they yet persevere in willing themselves somehow upon the younger generation of correspondents.

Today, if you wish to teach your subordinates better letter writing, you must instruct them negatively before you can tutor them affirmatively. But if an assistant has the intelligence, diplomacy and philanthropy required of a credit man, he will produce good credit correspondence without much further supervision, once he is freed from the clichés which shadow the sincerity of any letter, however well intended and handled otherwise.

What are those clichés? How can the less obvious ones (and there are some) be recognized? Let's put our finger on a few of them which are representative, but first let's inject one affirmative precept for letter writing. It is most important of all. Be natural! When you write a letter, you are talking. Write it as you would speak it! It will have the benefit of more careful thought, true; its arrangement will be more orderly and economical than your casual speech; it will be your speech at its best. But it can still be you. It need not be stilted. That is the point.

Now for the personality stiflers. Let's weed them out.

1. *Who Is Talking?*

There has been much talk about the over-use of the personal pronoun "I." Concede that one who is always talking about himself becomes objectionable. On the other hand, one who is ashamed of his very existence is interesting only as a psychopathic case.

When you write a business letter, you are acting as the agent of your company, and you may often be expressing collective opinions, actions, decisions and feelings. Probably this is more usual than not, and the pronoun "we" is in order, of course. However, sometimes you are really speaking for yourself—an investigation conducted personally or a sentiment or decision individually given by you for your company through the responsibility it has vested in you. The natural habit of using the pronoun "I" in those cases, rather than "we," will promote letters having a more positive tone of sincerity.

2. *The Pretentious Close.*

This is a title I have arbitrarily assigned to an old form which, unfortunately, is still quite prevalent today. Read a letter that does not resort to one phase of this close and you will probably read a letter that is reasonably natural and original throughout. I refer to the fading exit, the participial close:

"Thanking you in advance for your cooperation and hoping to hear from you soon, we remain,

Very truly yours,"

The body of a letter should end with a perioded sentence:

"Thanks in advance for your cooperation. I hope to hear from you soon.

Very truly yours,"

The thanks in advance for cooperation, incidentally, is an over-worked slogan itself, but I believe it serves well to illustrate the change from a stilted to a natural style. Suppose you had just called on the customer personally. Shaking his hand, you say, "Thanking you in advance for your cooperation and hoping to hear from you soon, we say—goodbye." But you could use wording number two verbatim without blushing.

3. *Abbreviated Sentences.*

"Yours of the fifteenth received and wish to advise acceptance of your proposition."

What a glaring discourtesy! This is rare today. To the few who might look upon such choppy utterances as model business brevity, the credit executive need only point out that being business-like was never tantamount to being rude. It takes little added effort for the correspondent to explain fully:

"Your letter of the fifteenth has been referred to me. I am glad that this department is able to go along with your suggestion."

And the addressee will not object to the added reading time of complete sentences.

4. *The Stuffed Shirts.*

Now to deal with that horde of words and phrases which inevitably crop up in 95% of all business letters written today. One such word or phrase in a letter, like a worm in an apple, quickly destroys its appeal. I call them "stuffed shirts"—not, of course, because the victims of their habit are such but because one would certainly acquire such a title should he use them in conversation. Their effect in the letter is comparable.

These words, over-used, incorrectly used, ludicrously used, are voluminous and it is impossible to handle them adequately here. A book might well be devoted to their chastisement. We must content ourselves with baring a representative few of them.

In the following, where more detailed discussion is by-passed, simply remember that the test of natural written expression is acceptable verbal expression.

Over-Used Phrases

The words below could be classed as over-used except for one consideration: 99 times out of the far too many hundred times they appear, they are *mis*-used:

Wish
Kind (kindly)
Favor
Oblige
Regret

Webster doesn't clearly define the difference, but if you think a moment, you will decide that in normal conversation we use the word *want* in expressing attainable desires and the word *wish* in expressing desires which cannot be satisfied or which we do not expect to have satisfied:

"I want you to stay."
"I wish you could stay."
"I want you to come with me."
"I wish you were with me."

Yet, in the letter, we "wish" for something, and then immediately proceed to grant ourselves that wish:

"I wish to explain the reason for our delay."

Then we proceed to explain.

If we would write naturally, we'd make it:

"I want to explain the reason for our delay."

To illustrate how ludicrous can be the high-toned substitution of "wish" for "want," consider this:

"I wish to wish you great success in your new venture."

Similarly, we could lampoon the pretentious use of the other words listed. Why use "kindly" for "please"? Asking someone for "kind attention" or "kind cooperation" is asking for too much. Few business letters really solicit a favor ("please favor us with"), and "oblige" is a very stiff thank-you. Let's be "sorry" more often, and "regret" less.

More and More Pitfalls

The participial ending "ing" probably came into written prominence as a dodge to avoid using the pronoun "I." Now we're starting every other sentence with a chocolate "ing." "Replying to your letter," "Answering your query," "Regarding the matter of . . .". There is nothing wrong or unnatural about an occasional "ing." However, the careful correspondent will avoid "inging" himself across the country like a busy bee!

Except for the buy one or be one routine, we seldom ask even our best friends to "be" something. Yet, in letters, we continually ask strangers to "please be advised," and to "please be assured."

Watch out for the boring and stilted use of the passive "has been received," "is noted," "are in receipt," "is acknowledged." Incidentally, if you're going to offer a thanks, it is not necessary to precede it with an acknowledgment. The thank-you is the acknowledgment.

Formal sounding words approaching legal jargon are distasteful; words like "hereby," "herewith," "hereunder," "hereinclosed."

There are also many words which are highly expressive at the proper time. Their abuse lies in calling upon them too frequently. This, I think, is the result of sheer mental lethargy. If we have pet words, we develop the habit of building meanings around words rather than finding the word to convey the meaning:

Advise, trust (avoid "we trust," "I trust"), pleased, cooperate, utmost, urgent, reciprocate, indulgence, regard, consideration, sincere, gratitude, appreciation.

The Right Way and the Wrong

Below are two letters. The first one was actually sent from the credit department of my company. I do not present it as a model of excellence, but I do include it as an example of a letter which is free from stereotype. The second letter is my own purposeful adulteration of the first. I have tried to be fair. I have tried to disadvantage the second letter only by the use of a few clichés, leaving the thought content and the wording otherwise unaltered. Wherever the original carries the greater appeal, it does so because it is written more nearly in the manner in which it

(Continued on Page 39)

A Thought For 1948

Let your number one New Year's resolution be to increase your knowledge of Credit. That is one resolution to make and stick to, for when you invest in education, you invest in yourself.

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Economics and Credit

This Is No Time For Complacency

by WALTER E. HOADLEY, Jr.
Industrial Economist, Federal Reserve Bank of Chicago

After a year of "full employment," the undertone of business thinking reflects widespread uncertainty and a feeling that our record prosperity can't and won't last. Yet, the signs of weakness on the present business horizon still appear to be overshadowed by signs of strength, with good prospects for maintaining consumer and business incomes and expenditures, as well as employment at or near current levels throughout the remainder of 1947 and well into 1948.

The principal dangers now are the renewed upsurge of prices and the downward trend in exports caused by the acute shortage of dollars in the hands of most foreign buyers. Only a further small rise in cost of living may be necessary to touch off a new spiral of third-round wage demands, which would virtually eliminate the possibility of a smooth readjustment later to more reasonable wage-cost-price levels and relationships. Although the nation, generally speaking, is temporarily in a good position to adjust to falling exports because of unprecedented domestic demand, the longer-run implications of declining exports can only mean lower sales volumes and employment in this country.

Credit Important in Inflation

Petroleum has one of the brightest futures among all American industries—on the demand side. Many grave problems may lie ahead, however, in meeting this demand during the next six to nine months. The public does not appear to be prepared for a fuel oil shortage this next winter, although generally reconciled to impending shortages of gas and coal. The current and continuing abnormally high demand for petroleum is taking the "heat" off the credit department from the sales department, but such record demand probably will only intensify the pressure for relaxed credit policies as soon as more normal sales levels are established.

With the quickening of the inflationary tempo, the role of credit becomes increasingly important. The outlook is for a considerable expansion to consumers and business firms. Credit executives not only control substantial proportions of the assets of their companies—in petroleum commonly over 50 per cent of sales are on credit—but have in their hands the power to expand in effect the nation's money supply and its use. Credit normally greatly facilitates production and trade, but under prevailing conditions of "full employment" the possibility of increasing output and sales is limited and the basic effect may be only more upward pressure upon prices. Slow credits, and particularly unpaid credits, may represent a net increase in purchasing power without a corresponding offset on the supply side and are particularly dangerous in their inflationary repercussions.

Which Road to Take?

The three most common questions now being raised in business circles appear to be these: (1) What's happened to the recession? (2) How enduring are present record levels of consumer and business demand? and (3) Is this a time to "run for cover" or to expand? Contrary to general expectations that the end of the war would be followed by lower consumer incomes and spending, falling prices, reduced employment, and expanded unemployment, we have had many readjustments, but certainly no recession. Compared with V-J Day levels, employment is up 10 per cent, personal income up 15 per cent, cost of living up 20 per cent, consumer expenditures up 25 per cent, wholesale prices up 45 per cent, and unemployment currently numbering two and one-half million.

First Question

The explanation for the absence to date of the much-heralded recession is primarily that several largely unforeseen "offsets" have appeared when other developments seemed to indicate a business downturn might be in the offing. Industrial and military demobilization was held to be a major cause of mass unemployment, but actual reconversion took less time than anticipated and fewer men and women, including service personnel, sought postwar jobs. Although the expected sharp decline in Government expenditures has occurred, consumers, business firms, and foreign buyers have more than taken up any "slack." Expanding incomes, heavy withdrawals from savings in the lower income groups, and extensive use of credit have combined to offset the continuing fear of inadequate purchasing power. The unexpectedly prolonged delay in agricultural reconstruction in the war devastated areas has not only prevented the expected collapse in agricultural demand and prices, but has contributed to an unprecedented expansion.

Completion of the refilling of war-depleted inventory pipelines was foreseen as a major factor likely to bring a business downturn during 1947. Actually, widespread inventory readjustments have progressed for many

months and the end of inventory accumulation may be at hand with little or no shock to the general economy. The sharp break in the stock market during the late summer of 1946 was widely interpreted as an indicator of a coming recession, but the principal outcome instead has been stock market prices which neither reflect strong inflationary nor deflationary trends and only continuing uncertainty.

The "failure" of construction this year measured by the disappointing number of "starts" until midyear was generally considered to be a certain indicator of recession. Actually, construction-put-in-place has been consistently high all year. "Starts" are currently ahead of a year ago, and the immediate problems are largely manpower and materials bottlenecks. The decline in exports expected last year has only recently begun to take place and the real effects of shrinking foreign trade promise to be moderate at least during the remainder of 1947.

In short we have had no recession to date from these causes, although most are still operative and may well eventually turn down general business activity.

Second Question

Present evidence seems to indicate that current levels of consumer and business demands will endure at least well into 1948. There is no question about the magnitude of foreign need. The principal problem is ability to pay, and Congress will soon have important decisions to make in this matter. Analysis of the current pattern of exports reveals that a substantial volume of goods now going overseas undoubtedly can find outlets in this country and hence postpone any widespread readjustment caused by declining foreign trade.

Consumers are not pessimistic about their jobs, but forced by rising prices and budget stringencies to place increasing emphasis upon "getting their money's worth." Since consumer buying depends primarily upon income and the prospects are good that dollar income will remain at present or higher levels for the next six months or more, fall and Christmas buying seasons should compare favorably with last year. Consumer buying is still being supplemented by drawing down of savings, cashing of terminal leave bonds and bonus checks, and expanded consumer credit. Petroleum promises to be among the last to feel consumer resistance, although sharply rising petroleum prices, especially for fuel oil, are unquestionably causing a good deal of ineffective consumer resistance even now.

Business Not Pessimistic

Business demand continues to be strong but cautious. Most business leaders are currently more optimistic than a few months ago because of improved labor relations, anticipation of continued huge Government expenditures overseas, agricultural crop deficiencies and higher prices, and the general new evidence of inflationary trends. The principal business worries concern the prospects of facing a readjustment in sales with present rigid cost structures and high break-even points. There are strong tendencies toward taking advantage of any short-run opportunity to gain higher profits as a protection against later financial weakness. *Any expenditure which promises to reduce unit cost is being made.*

The immediate outlook, therefore, is for continued high levels of consumer and business demand supported by reasonably assured ability to pay. We cannot disregard the fact, however, that more and more individuals and businesses are being priced out of their markets, physical production and sales are falling, and the nation in general is living in an artificial economic world. We are abnormally dependent upon: exports, Government expenditures, high business outlays for capital equipment, a "catching up" period in consumer durable goods and construction, depletion of many individual savings and an increasing reliance upon credit.

Third Question

Present evidence definitely indicates that this is not a time to run for cover or to try to expand operations, and certainly not to do so blindly or arbitrarily. To be prepared for an eventual adjustment, but also to be prepared to take advantage of real opportunities for profitable operations in the prosperous year ahead, is the real task of credit men and other business executives. Every effort must be made to meet problems as they arise and to achieve as much flexibility as possible in credit operations and policies.

Our longer-run sights must be set somewhere near the levels which we feel will be "normal" when operations are no longer based upon the clearly artificial conditions which now exist. There is real danger in adopting credit policies which are either too rigid or too easy. We must be prepared to analyze developments, however favorable or unfavorable, so as not to interpret any single event as a signal for drastic action. The national economy is now very vulnerable to the cumulative effects of sudden changes in business optimism and pessimism. We have never previously achieved a smooth economic transition from record high to more normal and enduring levels. There is a still some chance to accomplish this end because continuing business strength promises to give us time to make many piecemeal adjustments. Whether such adjustments will actually be made remains to be seen. The record to date is good.

This is no time for credit executives, even in the petroleum industry, to become complacent—if any are. Let's be ready to take advantage of the gains to be made while we are experiencing record prosperity, but also make plans to smooth the transition to a time when sales will no longer "happen" and accounts receivable literally "collect themselves."

Booklet Explains Requirements For Bank Borrowers

An explanation of basic banking policies and the requirements that govern the granting of business loans is given in a new booklet, "The Small Businessman and His Bank," just issued by the United States Department of Commerce.

The booklet, which was prepared in collaboration with representative bankers, should be especially useful, Commerce officials say, to individuals who are planning to enter new businesses or who have just established them.

Emphasis is given to the importance of presenting a complete and intelligible financial statement when applying for a loan. If the prospective borrower is just getting started, however, the booklet states that he must rely mainly on his own capital contribution, his personal reliability, and his business ability in obtaining credit.

In general, it states, banks require small business applicants for loans to show evidence of:

(1) Good personal character and reliability;
(2) Sound business ability and judgment;
(3) Success in past undertakings;
(4) Some property or assets not already mortgaged and available as security;
(5) Working capital sufficient for minimum needs;
(6) Intention to use a loan productively.

The booklet goes on to say that if an applicant can show reasonable soundness on the above points, the bank will probably make a loan commitment. "In normal cases," it continues, "if a projected enterprise is sound and the owner has an acceptable record, many banks will advance without security other than a personal note on either a 1 to 3 or 1 to 4 ratio to the equity capital in the business. This is provided the majority of the equity is in the form of safe current assets such as inventory and receivables. When the bank takes a lien on conservatively valued assets belonging to the borrower the ratio of loan to equity is usually higher."

Government Credit Policy Sound?

Rising Prices Not Monetary Authorities' Fault, Says Dean

The principal consideration which guided the monetary authorities in formulating their credit policies, particularly after the abolition of price control, was to prevent a too rapid increase in prices of goods and services, according to a bulletin entitled "Credit Policies of the United States" issued recently by Dean John T. Madden, Director of the Institute of International Finance of New York University.

Dean Madden comes to the conclusion that the policy followed by the monetary authorities has been sound since V-J day. Do you agree? If so, and if not, let us hear what you have to say.

The authorities were not successful in their endeavor, however, for the index of wholesale prices of all commodities (1926=100), as prepared by the Bureau of Labor Statistics, rose from 105.5 on August 18, 1945, i. e., four days after V-J Day, to 154.9 on September 6, 1947.

Seven Causes of Rising Prices

The monetary authorities have been criticized for their failure to stop this upward movement of commodity prices. An analysis of the principal causes for the sharp increase of commodity prices reveals, however, that there was indeed very little that they could have done to check this development. The rise in commodity prices since the end of the war was due mainly to the following factors:

1. The constant increase in wage rates of practically all organized workers.

2. The lower productivity of labor and equipment caused, in part, by bottlenecks, raw material shortages, and in some instances, actually decreased efficiency of labor. In some industries, notably in building construction, these negative forces are still operating.

3. The pent-up demand for all kinds of commodities which were not produced during the war is very great and despite increasing production the demand for many types of goods still exceeds supply.

4. The huge demand from abroad, particularly as regards farm products, which is in part responsible for the high farm and food prices prevailing in the United States. Exports of the United States for the year 1946 amounted to $9,742,000,000 (including $1,774,000,000 of U. N. R. R. A., Lend-Lease, and private relief shipments) as compared with exports of $3,094,000,000 in 1938, the last full prewar year. This factor is still operating in the American economy and is aggravated by crop failures in many parts of the world. During the first six months of 1947, exports increased to $7,552,900,000, i. e., an annual rate of 15 billion dollars, while imports for the same period were only $2,862,700,000, or at the annual rate of 5.7 billion dollars.

5. The vast amount of liquid funds accumulated during the war plus the large current income received by the people in the form of wages and salaries greatly increased the consumption of non-durable goods.

6. As prices keep on rising people are becoming inflation conscious and are buying and hoarding goods with a view to protecting the purchasing power of their current income and in many instances also of their savings. These purchases coinciding with the heavy demand for current consumption are driving prices still higher with the consequent demand by labor for higher wages. Thus the spiral of prices and wages is kept in motion.

7. Last, but probably the most effective force in driving sharply upwards commodity prices in the United States, was the too hasty relaxation and outright abolition of war controls. It would have been much better for the country as a whole if the excess profits tax, rationing, wage and price controls, and allocation of scarce materials had been continued for another year, until demand and supply had been brought into a position of near-equilibrium. If these measures had been maintained the drastic increase in prices might have been avoided to a large extent. The blame for the sharp increase in commodity prices, therefore, must be borne in part by the people of the United States who became impatient with government regulations and controls, in part by the Administration which wrongly anticipated and took measures to prevent deflation while actually inflation was menacing the country, and especially by the Congress which generally favors inflation as "good business" and is reluctant to enact measures of an anti-inflationary character. The entire population, and particularly those who have accumulated savings in the form of bank deposits, bonds, mortgages, life-insurance policies, pensions, and annuities, is suffering from the decreased purchasing power of the currency. It would be obviously unfair to criticize the monetary authorities for the precipitate repeal of the above-mentioned government controls.

What's Happening to Savings?

To what extent accumulated savings influence the movement of commodity prices is difficult to state. The fact is that a considerable portion of the population has practically no savings; and there are no data indicating conclusively whether and how much of the savings accumulated during the war

are being spent currently to maintain the wartime generated high standard of living. It would appear that current income plays a much more important role in forcing prices upward than the savings at the disposal of the people. Hence, it may be concluded that even if the Reserve authorities had adopted the credit policy successfully employed in 1920, it could not have had any appreciable effect on the movement of commodity prices. The policy of reducing the volume of bank deposits through redemption of matured and callable issues and through funding of short-term debts into long-term obligations could have been accelerated. But, even if this were done, the effect on the movement of commodity prices would not have been pronounced, since the principal buyers of the funding obligations would have been insurance companies and savings banks and not individuals. The decrease in the amount of deposits held by these institutions is of little value as an anti-inflationary measure. Thus, it may be stated that in deciding to reduce the volume of deposits through debt redemption the monetary authorities followed a sound policy.

Should Credit Be Restricted?

In discussing the employment of credit restrictive measures in combating the inflationary forces, the bulletin states:

The question arises whether the policy pursued by the monetary authorities was sound and whether rigid credit restrictive measures should have been adopted in order to cause a reduction in the volume of loans and investments of the commercial banks. With the exception of the redemption of $1,250,000,000 of Treasury bills, the monetary authorities relied almost exclusively on redeeming obligations held primarily by the commercial banks. In this respect the credit policy was entirely different from that adopted during the inflationary period which followed the First World War, when the Reserve authorities instituted rigid credit restrictive measures, and brought about a sharp increase in interest rates, thus forcing a liquidation of loans.

The redemption policy of the

Uncle Sam's Payroll

Consolidated table of Federal personnel inside and outside continental United States employed by the executive agencies during September 1947, as compared with August 1947

Department or Agency	August	September	Increase	Decrease
Executive Departments (except Army and Navy Departments)				
Agriculture	80,994	76,241	....	4,753
Commerce	36,958	36,960	2	....
Interior	49,878	47,575	....	2,303
Justice	24,785	24,847	62	....
Labor	4,380	4,393	13	....
Post Office	457,619	457,175	....	444
State	21,074	20,944	....	130
Treasury	85,832	86,439	607	....
Emergency War Agencies				
Office of Defense Transportation	91	44	....	47
Office of Scientific Research and Development	68	61	....	7
Office of Selective Service Records	615	637	22	....
Postwar Agencies				
Council of Economic Advisers	50	57	7	....
Office of Government Reports	19	20	1	....
Office of Housing Expediter	6,726	5,660	....	1,066
Philippine Alien Property Administration	134	145	11	....
U. S. Atomic Energy Commission	3,969	4,171	202	....
War Assets Administration	38,201	34,528	....	3,673
Independent Agencies				
American Battle Monuments Commission	98	103	5	....
Bureau of the Budget	581	586	5	....
Civil Aeronautics Board	555	555	....	....
Civil Service Commission	3,394	3,429	35	....
Export-Import Bank of Washington	113	114	1	....
Federal Communications Commission	1,330	1,314	....	16
Federal Deposit Insurance Corporation	1,148	1,156	8	....
Federal Mediation and Conciliation Service[1]	....	362	362	....
Federal Power Commission	767	761	....	6
Federal Security Agency	32,629	32,484	....	145
Federal Trade Commission	586	562	....	24
Federal Works Agency	23,411	23,319	....	92
General Accounting Office	10,281	10,125	....	156
Government Printing Office	7,621	7,569	....	52
Housing and Home Finance Agency	13,272	12,760	....	512
Interstate Commerce Commission	2,281	2,281	....	....
Maritime Commission	6,774	6,649	....	125
National Advisory Committee for Aerônautics	5,842	5,934	92	....
National Archives	348	329	....	19
National Capital Housing Authority	279	275	....	4
National Capital Park and Planning Com.	18	19	1	....
National Gallery of Art	308	317	9	....
National Labor Relations Board	826	834	8	....
National Mediation Board	98	98	....	....
Panama Canal	24,671	24,434	....	237
Railroad Retirement Board	2,831	2,799	....	32
Reconstruction Finance Corporation	7,439	7,183	....	256
Securities and Exchange Commission	1,172	1,175	3	....
Smithsonian Institution	526	513	....	13
Tariff Commission	229	229	....	....
Tax Court of the United States	124	124	....	....
Tennessee Valley Authority	14,920	14,873	....	47
Veterans' Administration	214,195	210,577	....	3,618
Total, excluding Army and Navy Departs.	1,190,060	1,173,739	1,456	17,777
Net decrease, excluding Army and Navy Depts.	....	....	16,	321
Navy Department	349,148	341,815	....	7,333
Department of the Army				
Inside continental U. S.	352,790	355,770	2,980	....
Outside continental U. S.	139,512	139,457	....	55
Total, including Army and Navy Depts.	2,031,510	2,010,781	4,436	25,165
Net decrease, including Army and Navy Depts.	....	....	20,	729

[1] Federal Mediation and Conciliation Service established Aug. 22, 1947, pursuant to Public Law 101 (80th Cong.), the Taft-Hartley labor law.

monetary authorities resulted in a decline in the total volume of bank deposits. Total deposits (excluding interbank) of the weekly reporting member banks decreased from $63,786 million on February 27, 1946, to $51,276,000,000 on February 19, 1947, a reduction of $12,510,000,000, or 19.6 per cent. This decrease, on the whole, caused no strain because it was brought about by the Treasury redeeming its obligations held by the banks with the large balances accumulated in the War Loan Account during the Victory Loan Drive. The decrease in government deposits between the above dates amounted actually to $14,535 million, but demand deposits increased by $1,158 million and time deposits by $867 million. Between February 19, 1947, and June 25, 1947, government deposits declined further by $1,433 million to $559 million, while demand and time deposits increased $2,011 million.

Budget Surplus Necessary

After the balance in the War Loan Account has been exhausted, further reductions of the public debt can be made only with budgetary surpluses. If in the future the budget of the Federal Government should show a substantial surplus, as is anticipated, and the Treasury utilizes this surplus for the purpose of redeeming maturing obligations held primarily by the commercial banks, it will lead to a corresponding decrease in the volume of total deposits leaving reserve balances unchanged. The payment of taxes transfers deposits from the taxpayers to the government. When the Treasury uses the funds to redeem government obligations held primarily by the banks the latter show a decrease in holdings of government securities on the asset side and of government deposits on the liability side. A redemption of government securities with budgetary surplus funds, therefore, would be definitely a deflationary measure.

The monetary authorities can also cause a decline in the volume of bank deposits by instituting credit restrictive measures. Such a policy would force the member banks either to sell government obligations, or call loans, or borrow from the Reserve Banks. Since, however, many banks are unwilling to

borrow from the Reserve Banks at all, or do borrow only for a short period of time, the adoption of credit restrictive measures undoubtedly would have resulted in an effort to liquidate government obligations as well as loans. Before such a policy is adopted, however, it is imperative to analyze carefully (1) whether it actually can be carried through, and (2) what the consequences would be. If the credit restrictive measures instituted by the monetary authorities should lead to bank liquidation of government obligations, the question would arise as to who would buy these securities. It is obvious that institutional investors, such as insurance companies and savings banks, would not be interested in acquiring short-term government obligations because of their low yield. Furthermore, since there is a considerable difference in price between bank-eligible and nonbank-eligible government securities, it is evident that the price of bank-eligible bonds would have to decrease materially before they become attractive to insurance companies and savings banks. Under such circumstances, therefore, the Federal Reserve Banks would feel compelled to acquire the government obligations sold by the banks, which in turn would nullify any policy intended to narrow the credit base of the country, or the monetary authorities would have to permit a material decline in prices of government securities.

Effect on Loans

In view of the large volume of government securities outstanding and the fact that the stability of the economy of the country to some extent depends upon the stability of the government bond market, the monetary authorities can not permit a sharp decline in prices of government obligations which would have a depressing effect on prices of high-grade bonds and mortgages. Moreover, it is doubtful whether the adoption of credit restrictive measures would have resulted in wholesale liquidation of loans. Before calling loans and thereby disturbing customer relationships, banks would first endeavor to sell government obligations. If the banks were forced, however, to call loans, the calls would be made in all probability of loans which carry a greater element of risk and this might primarily affect small business concerns engaged in the manufacture and distribution of consumers' goods. Such a policy is not desirable under present conditions and is politically not feasible. Credit restrictive measures would certainly not lead to a reduction of loans made to large corporations which are engaged primarily in the production of either capital goods or durable consumers' goods. Neither could they affect the volume of outstanding term loans.

The adoption of credit restrictive measures could not have achieved the desired reduction in commodity prices. In the first place, the volume of loans made for the purpose of financing the accumulation of inventories is relatively small. Secondly, it is questionable whether an increase of even as much as one per cent in the over-the-counter rate, or thereabouts, would lead to a liquidation of loans, since such rate

(*Continued on page 39*)

What Makes a Business Grow?

How Can The Credit Man Help?

by **MORRIS VOLPER**
Credit Manager, Nathan Strauss-Duparquet, Inc., New York

The reasons for growth of a company are many, but a few of the more important ones are:

a. An aggressive, far-sighted management willing to risk capital on a carefully calculated basis, especially on accounts receivable.

b. Emphasis on improvement of processes and products, demands for which show promise of important expansion.

c. Advancement in methods of distribution.

d. A large market, preferably one growing at a more rapid rate than population and national income.

e. Selectivity of accounts.

Management Makes or Breaks

Assuming that a concern has natural growth characteristics, it is necessary that it possess the type of management to take advantage of its possibilities. Witness the automobile industry, which has had far more failures than successes. There is always the unpredictable, uncontrollable force over which there is no restraint; nevertheless, the percentage of business successes surely is with good management.

No doubt, the most important factor influencing the net profits of a company is the human equation. This vital, intangible element dominates and controls the potential profit.

Too often an analysis of accounts receivable reveals part of them held up due to required minor adjustments, repairs, and replacements which affect both turn-over and good will. This involves various departments.

The profits of any business are retained through prompt turn-over. Turn-over means a conversion of money into goods and its prompt reconversion back into funds. Any delay affecting this turn-over represents expense and loss of goodwill. This is indeed a vital item in any business.

There is no particular credit problem in handling orders for successful customers. Problems that do exist arise from necessary adjustment, repairs, and allowances which should be declined or given in a prompt friendly manner.

Hence, managerial harmony and competency are essential to the profitable functioning of a business. Each business today is an economy of specialization. Its aim is high, efficient production and distribution. Department head specialization can be successful, however, only if there is interdependence among the heads to form one integrated whole. Now let's see where the credit executive fits into the picture. Concerning the risk of capital in accounts receivable, what does the credit man do to properly direct his company funds into this item?

The Credit Man's Niche

Throughout the entire range of business and finance, the credit man who fails to move with the calendar falls behind the march of events. He will wake up some day to find that he has made some ghastly mistake. To avoid this, he must comprehensively survey each morning's report of affairs that touch his field. His job requires a sound knowledge of accounting, economics, commercial law, banking and finance, and business administration. His credit policy takes into consideration tax credits and debits, labor problems, population and industry trends, inventory price fluctuations, and the profit margin. All this must be seasoned with the common garden variety type of plain horse sense.

Where does he fit in the efficiency of marketing operations? This takes in the selectivity of accounts. It has been estimated by one of the country's foremost engineers that 42% of the marketing decisions made by business concerns in this country are wrong. Primarily this is due to a lack of facts. What is needed is to ascertain where the business sales volume comes from and how much of a market exists, factors that are necessarily changed by the trend of general business.

The answer to efficient marketing operations will usually be found in concentrating selling to the larger outlets. Generally, it is uneconomical to sell accounts who are small and have little cash, but like most generalities, this rule must have important exceptions.

Sales and Credit

The furnishing of complete and reliable marketing information and the scientific analysis of sales distribution are hooked up with the credit function. The credit man posts the sales departments on best business area and customers—where to concentrate sales effort and first signs of declining sales in important accounts. For the well-informed credit man knows his important customers, has an idea of their business potential, knows their bankers and suppliers. Because he calls on customers, he is acutely sales conscious and is a good will ambassador. He knows the customers' physical setups as well as their financial statements. He discusses with

them their objectives and has an idea of their capacity.

He has at his fingertips the proper percentages of overhead costs of his customer lines of business, and knows where to look for the leaks and ratholes. His opportunities to render service in an advisory capacity, occasionally transforming dubious risks into first class credits, require an executive and professional training of the highest order. Being constantly and intensively abreast of economic conditions, of credit technique and refinements, both foreign and domestic, adds to his stature. Attending hundreds of forums supplements his store of knowledge. All this training can be utilized by management in many phases of the business.

Know Your Company's Product

What other qualifications need a credit man possess to aid in his company's growth?

It is essential that he attend all sales meeting and learn all that he can about his company's products and that he have a working knowledge of all the departments and their problems. With his desire to do a good job is also an awareness that manpower and operating costs must be consistent with the program involved.

Here is an example where a firm capitalized on his services. The board of directors of a certain company had decided to buy out a competitor. The check was made out. The treasurer suggested at the last minute that the credit manager and his department appraise the receivables. The department worked all night and it turned out that the quality of the receivables was such that the deal was cancelled. The credit department in this case saved more money for its firm than it could have saved in bad debts for a number of years.

Each Vital to the Other

A man who puts in so much time and effort in his life work, and who is afforded the opportunities for special development which the credit man has, cannot help but acquire certain advantages which can be assistance to his associates. By the same token the department heads can contribute immeasurably towards the know-how of the credit man.

For the credit job has long outgrown the routine stage. It is far beyond the limitation of ratios and ratings.

In the training that goes into the evaluation of people, companies and futures—therein lies the future of the credit man, for the chances are that his projections of the results of any contemplated decision could be highly important to management.

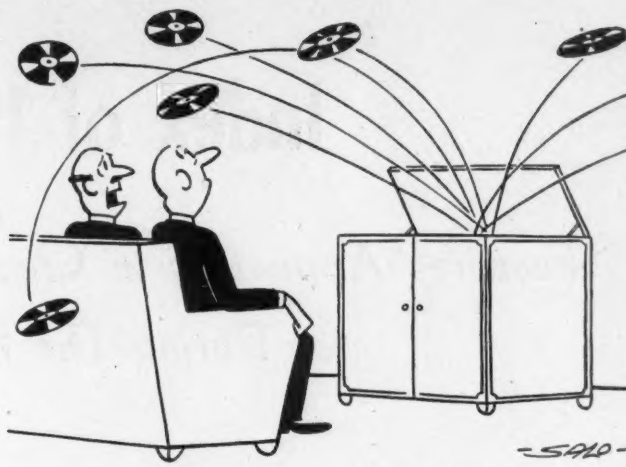
As production catches up with demand, new marketing trends must be discovered. Some of the problems confronting managements will be:

How much business is available in their particular line?

How much of it should they attempt to secure?

Has management a sales analysis to determine where the important and profitable part of the volume comes from?

All this points towards the interdependence of all department heads. Today, as never before in business history, the credit man must apply himself to do his share in his company's growth.



"It plays continuously for two hours, and also makes its own selections"

The Solution Rests With Us

(*Continued from Page 7*)

is so obvious that to mention it is merely to repeat what should be in the mind of everyone. That is a full time production of all needed commodities.

If, without attempting a speed up, one of the sore spots in labor-management dispute, every industry could get, and stay, on a continuous operating basis, uninterrupted by strikes, or shut-downs, in its own, or supplying, industries, there could be produced a largely increased supply of merchandise at a unit cost reduced to where present wage scales, and profits, could be maintained, and prices lowered.

Such a step could, within itself, create a situation, the benefits of which would be so obvious as to lead the vast majority of the people to strive for the adoption of other policies which, while appearing to entail individual sacrifices, would carry such ultimate individual benefits as to justify a personal interest in having them inaugurated.

I am not having visions of a Utopia, but am hoping for a sane temple of society, in which every individual may be able to exercise his ingenuity, industry and energy, unhampered by those who, for selfish motives, would pull down the pillars, and destroy themselves along with those over whom they are trying to gain ascendancy.

Training Field Personnel

(*Continued from Page 11*)

sound administration of credit. The manner in which a decision is given to a customer has a far-reaching effect on his friendliness and continued sales to him. In many cases, what is said is even more important than the decision itself. This is something that cannot be gleaned from textbooks and cannot be set down procedurally in manuals. In my opinion, everything that we as credit executives do in the training of our employees culminates in the answer to the question of *what to say* which faces every employee every time he talks to a customer.

Index of 1947 Articles

Features Appearing in Credit and Financial Management During The Past 12 Months

Credit Office Systems

Economics

Foreign Trade and Credit

Fraud and Fraud Prevention

Insurance and Fire Protection

Legal Aspects of Credit

Legislation

Miscellaneous

Par Clearance

Taxation

Washington, D. C.: John H. Geiger, Secretary-Manager of the Washington Association was recently admitted to the District of Columbia Bar. Mr. Geiger, who has been studying law in his spare time, passed his LL.B. exams last May.

"Prof. Glugg has a theory that if he isolates everything but the common cold germ, what's left has got to be *it*"

LETTERS TO THE EDITOR

Credit Man's Title—Some More Ideas

Mr. Richard G. Tobin
Editor,
Credit and Financial Management
1309 Noble Street
Philadelphia, Pa.

Dear Mr. Tobin:

Concerning Mr. A. C. Hetherlin's letter to you which is printed on page eighteen of the November issue, I would like to express my views in the matter of a suitable and, I might add, dignified title to take the place of Credit Manager, or Credit man.

It might be an excellent idea to list in some future issue some of the better titles that are submitted to you and have a vote taken to decide which one is best. There is no question that this would stir up a great deal of interest. Personally I prefer the title of "Director of Credit."

Cordially,
Louis J. Goldberg,
Miller Auto Supply & Equipment Co., Inc.,
New York.

I see where Mr. A. C. Hetherlin, Credit Manager, Superba Cravats, Rochester, in your November issue suggests the use of "Credit Counsellor" instead of other titles referring to the credit man. While this sounds fine, it sounds too legal and may be mistaken for something legal. So I respectfully offer the very simple title; "In Charge—Credit Department."

Jack Sklar,
Estes-Schlichter-McFarlane Co.
New York

Monthly Statements Are Not Necessary

Dear Mr. Tobin:

Mr. Albert Pauly's article in the October issue of Credit and Financial Management should generate a great deal of opposition to the generally accepted idea that statements are an indispensable part of a credit and accounting program. Opposition is long overdue and Mr. Pauly rates a twelve gun salute for daring to challenge the orthodoxy that permits this fugitive from the past to linger in the halls of modern accounting.

The need for statements has diminished in direct ratio to the increase in new and improved accounting methods, and today the modern business house regulates its Accounts Payable department to be completely free of the need of suppliers' statements in paying its bills.

You would expect that an establishment which had no use for suppliers' statements in its Accounts Payable set-up would question the value of statements in its Accounts Receivable program. Unfortunately, the question is seldom raised, and currently we have a situation where thousands of business houses destroy their suppliers' statements with the left hand while they send out their own with the right. This borders on the comic opera and is a severe indictment of both office and credit managers for their failure to combine their experiences into a single interpretation of the value of statements to their employers.

Those concerns that send out their own auditors' verification statements have an excellent chance to observe how much the statement has become a discredited agent of the collection department. They need only to check the amount of statements returned to the auditing department. The amount is extremely small, a clear indication that customers are no longer statement minded.

Our own experience has led us to conclude that many establishments will profit by the practice of issuing statements only to those accounts who ask for them. We have handled our statements on this basis for many years and in the process save hundreds of dollars yearly with absolutely no impairment of our investment in receivables.

Many credit men are reluctant to accept the idea that statements are not an integral part of a sound collection program. If their opinions are formulated without regard for the terrific expense involved in statement work we believe them to be guilty of disservice to their employers.

Industry spends millions of dollars annually on customers' statements. Analysis would disclose that the major part of this expenditure is as productive of results as if it were poured down the drain. It is time that business recognized its stake in an intelligent solution to the statement question.

Very truly yours,
A. H. Maguire
Office Manager
Land O'Lakes Creameries, Inc.
Boston

NACM NEWS

About Credit Leaders — *Association Activities*

National Board Meeting Held At Oklahoma City

Oklahoma City: The annual meeting of the National Board of Directors was held this year in Oklahoma on November 20-22. The Skirvin Hotel was the headquarters.

All the officers and directors were present with the exception of Charles W. Adams, of Spokane, whose plane was forced down. In addition to the National Board five Past Presidents attended the meeting—E. L. Blaine, Jr., of Seattle; Robert L. Simpson, of New Orleans; Paul W. Miller, of Atlanta; R. C. Wilson, of Salt Lake City, and Charles A. Wells, of St. Joseph, Mo. The four officers of the Secretarial Council were there as was Les Fishbeck, Chairman of the National Membership Committee.

All aspects of Association work were discussed fully. It is not possible at the time of going to press to give detailed information on the decisions reached, since many questions were shelved for further study by committees appointed for the purpose.

The Oklahoma City Wholesale Credit Men's Association went out of its way to entertain the visiting officers. On Thursday, November 20th, a dinner meeting and entertainment was held in the Skirvin Tower and the ladies were entertained to a luncheon. On Friday, November 21st, Henry H. Heimann, Executive Manager, NACM, addressed a joint meeting of the Credit Men's Association and the Chamber of Commerce.

RESOLUTIONS

Several resolutions were passed during the meeting. We append them below for the information of our readers.

Credit Policies

Be it resolved that in view of the uncertain conditions of the present and for the future which confront our National and international economy, the Board of Directors of the National Association of Credit Men does hereby recognize it to be the inescapable duty and obligation of its Association as a whole and of the members individually, and of all business and financial institutions, to exercise extraordinary care in establishing at this time and in the immediate future reasonable credit policies which have as their obligation the prevention of an over-expansion of credits such as have contributed so markedly in past inflationary periods to critical financial crises.

Business Ethics

Recognizing that the records of economic history clearly reveal that following major wars and concurrent with inflationary periods there exists an insistent tendency for many men engaged in commerce and industry and principally those recently established in business, to pursue practices definitely unethical as measured by the standards of this Association and positively inimical to the best interests of business as a whole, Be it therefore resolved by the Board of Directors of the National Association of Credit Men speaking for its 28,000 members, to call upon all business, industrial and financial interests, organizations, and institutions to join with this Association in persistent and positive action that shall seek to maintain at all times high ethical standards for the conduct of trade and commerce.

Government Expenditures

Be it resolved that the Congress of the United States be urged to take a positive lead in effecting a substantial reduction in government expenditures, including a marked decrease in the volume of the Federal payroll, and that the economies thus effected be applied to the reduction of the National debt.

Financial Condition

Be it resolved that the Board of Directors of the National Association of Credit Men in this manner express its most hearty appreciation and grateful recognition to our Eastern Division Vice-President Charles E. Fernald for the excellent contribution he is making in the presentation of so complete and understandable a picture of the financial status of our Association and its many activities.

Hospitality

The Board of Directors of the National Association of Credit Men and others in attendance at its annual meeting have been privileged to enjoy a most cordial and generous hospitality extended by the Oklahoma Wholesale Credit Men's Association and friendly citizens of Oklahoma City. Be it resolved that it is our

(Continued on Next Page)

Hundreds Unable To Hear Heimann At Indianapolis

Executive Manager Henry H. Heimann addressed a sell-out luncheon meeting of the Indianapolis Association on Armistice Day, November 11, in the largest available room in Indianapolis. Some hundreds of members were unable to obtain tickets. Mr. Heimann was greeted by an unusually large turnout of Association member executives who frequently applauded his remarks on the subject "Is There a Bust Coming?"

Indianapolis newspaper financial writers had an unusually long press conference with Mr. Heimann preceding his address, and his speech and the meeting were given unusual coverage. Fred J. Hamerin, Association President, presided. Victor C. Eggerding, 6th District Director, was a guest and spoke briefly. Other interesting details of Mr. Heimann's Indianapolis visit can be found in his general letter to Associations dated November 13.

MEMBERSHIP PROGRESS REPORT

May 1, 1947 to November 28, 1947

	Net Gain	Total Nov. 28	Percent.
CLASS A			
St. Louis	42	695	106.45
Rochester	31	532	106.18
Cleveland	30	621	105.07
CLASS B			
San Diego	37	332	112.54
Newark	25	375	107.14
Baltimore	29	504	106.11
CLASS C			
Des Moines	34	224	117.90
Toledo	29	206	116.38
Lexington	20	203	110.92
CLASS D			
Washington	11	121	110.00
Syracuse	14	161	109.52
Binghamton	9	118	108.25
CLASS E			
Albuquerque	25	85	141.66
Tulsa	12	64	121.15
Columbus	14	83	120.28
CLASS F			
Springfield, Mo.	7	34	125.92
Bristol	6	30	125.00
Clarksburg	5	30	120.00

Food Group Meets In New York

The picture above was taken at the Board meeting of the National Food Manufacturers' Credit Division of the National Association of Credit Men which was held on October 23rd at the Pennsylvania Hotel in New York. Shown in the picture are (left to right): T. F. Coonelly, New York Credit Interchange Bureau; Elmer Weiland, Atlantic Sales Corp., Rochester, N. Y. *(Treasurer)*; A. F. Norris, Penick & Ford, Ltd., New York; W. R. Dunn, General Foods Corp., New York *(Vice-Chairman)*; C. A. Armstrong, Drackett Products Co., Cincinnati; Mrs. Violet Johnson, NACM; J. F. Welsh, McCormick & Co., Inc., Baltimore *(Chairman)*; S. J. Haider, NACM *(Secretary)*; A. P. Brigham, Jr., Pet Milk Sales Corp., St. Louis; O. W. Bullen, Lever Brothers Co., Cambridge, Mass.; J. C. Moore, Stokely-Van Camp Co., Inc., Indianapolis; C. B. Shelley, Wm. S. Scull Co., Camden, N. J.; and G. E. Brister, American Sugar Refining Co., New Orleans.

Board Meeting

(Continued from Previous Page)

expressed wish that sincere thanks be given to T. B. Hendricks, National Director; Earl C. Hill, President, and John M. Cole, Secretary Manager of the Oklahoma Wholesale Credit Men's Association and, through them, to the other officers, directors and office personnel of their Association for the many anticipations of our every desire and comfort, and

Be it further resolved that our thanks be expressed to the Oklahoma City Chamber of Commerce, its officers and members for the cordial reception, entertainment and cooperation accorded us, and

Be it further resolved that we express our appreciation and hearty thanks to the Daily Oklahoman and the Oklahoma City Times for their cooperation in presenting to their readers the news concerning the activities of this meeting, and

Be it further resolved that our thanks and appreciation be expressed to the management of the Skirvin Hotel for the excellent service and many courtesies which have made our stay in Oklahoma City so pleasant.

Be it further resolved that we express our thanks and hearty appreciation to the Oklahoma City University Chorus and the Director, Professor Nealson for the cultural and inspirational entertainment afforded for our pleasure at the dinner on the opening day.

Be it further resolved that our hearty thanks be extended to the ladies of Oklahoma City who have so graciously and effectively entertained the wives of the members of the board.

Business Outlook Given Thorough Airing At Newark

Newark: Continuing the custom of having several speakers contribute to the discussion of some phase of business, the New Jersey Association of Credit Executives featured three experts at their annual joint meeting with the Newark Chapter of the National Association of Cost Accountants on November 13th.

Three speakers who, because of the nature of their work, held different points of view discussed the outlook for business. Dr. Solomon Flink is Professor of Economics at Rutgers University; S. Guernsey Jones, Vice-President of the New Jersey Association, is also Vice-President and Manager of the Foreign Department of the National Newark and Essex Banking Co. Percy L. Procter, President of Cooperative Industries, Inc., of Chester, N. J., was the third speaker.

To round out the evening there was a showing of the picture "Money at Work," which was produced by the "March of Time" and depicts the operation of the New York Stock Exchange.

Des Moines: Howard E. Kroll, Regional Specialized Report Manager of Dun & Bradstreet, discussed mercantile agency reports at the November 18th meeting of the Des Moines Association. Mr. Kroll has been engaged in credit reporting work for many years.

President Names 1948 Resolutions Committee Members

An unusual procedure has been instituted by President Charles B. Rairdon by the appointment at this time of the Resolutions and Policy Committee for the National Convention to be held in Cleveland next May. Heretofore the Committee has usually been announced at the opening session of the convention. President Rairdon feels that the Committee should have ample time to make a study of important resolutions and statements of policy and to prepare these in advance for Committee consideration before and during the convention session. The Committee will therefore have a better opportunity to canvass the viewpoints of the membership and to incorporate these viewpoints into the statements of policy to be acted upon by the National Convention.

Local associations and members are requested to send their suggestions and recommendations concerning resolutions and statements of policy to the Secretary of the Committee as soon as possible. The personnel of the Resolutions and Policy Committee for the 1948 Convention is as follows:

A. L. Jones, Armour & Co., Union Stock Yards, Chicago 9, Ill.—Chairman.

Carl D. Smith, Director of Education, NACM, One Park Avenue, New York 16, New York—Secretary.

Maurice D. Field, Central Rubber & Supply Co., 30 E. Georgia St., Indianapolis 9, Ind.

L. D. Duncan, National Distillers Products Co., 120 Broadway, New York 5, New York.

Robert Young, Bethlehem Steel Co., Bethlehem, Pa.

V. C. Eggerding, Gaylord Container Co., 111 No. 4th St., St. Louis 2, Mo.

W. N. Rainville, First Acceptance Corp., Minneapolis 2, Minn.

Insurance Expert Is Speaker at Syracuse

Syracuse: Mr. T. Alfred Fleming, Director of Conservation of the National Board of Fire Underwriters, was the guest speaker at the first meeting of the Syracuse Association of Credit Men which was held in the Roof Garden of the Onondaga Hotel on October 14, 1947. Mr. Fleming spoke on "Relationship of Insurance to Credit," and gave us some very good material for thought.

Credit Association Fills Public Relations Post

Appointment of Victor A. Liston as an assistant to Mortimer J. Davis, Executive Manager of the New York Credit Men's Association, was announced recently. Mr. Liston will work on the association's monthly publication, *Credit Executive,* and will be in charge of press information and public relations services.

Credit Men Shut In Ivory Tower? Is Forum Subject

Chicago: "Do credit executives shut themselves up in an 'ivory tower'?"

This question was freely discussed during the afternoon program of the all-day Illinois State Credit Conference held in Chicago, Wednesday, October 22, under the sponsorship of the Chicago Association of Credit Men.

It was the general opinion of the members of the panel in charge of the program and of members of the audience who took part that credit executives do not stay in an "ivory tower"; on the other hand, as a rule, they do get out and confer with their customers.

Another subject considered was the report of a survey made not long ago showing that the success of an individual in business depends 13 per cent on his technical knowledge and 87 per cent on his skill in "human engineering", that is, on his ability to deal with and lead people.

Members of the panel were: Moderator, William L. Ayers, Editor, "Finance Magazine"; L. T. Hadley, Credit Manager, Goodman Manufacturing Company, for "Credit"; Lee R. Maxwell, General Sales Manager, Butler Brothers, for "Sales"; Guy E. Reed, Vice President, Harris Trust and Savings Bank, for "Banking"; W. A. Macnider, Economy Casting Service Company and President of the Chicago Purchasing Agents Association, for "Purchasing" and Whipple Jacobs, President, Belden Manufacturing Company, for "Management".

Youngstown: The November meeting of the Youngstown Association of Credit Men was held at the Club Sahara on November 24th. The meeting was highlighted by a talk by F. O. Kiel, Industrial Economist, The Federal Reserve Bank of Cleveland, who spoke on "Changing Business Trends."

Past Presidents Are Honored at St. Paul

St. Paul: The November 11th meeting of the St. Paul Association of Credit Men was without doubt the best this year. The guests of honor were the Past Presidents of the Association.

Fred Sperling of the St. Paul Association of Commerce, the speaker of the evening, offered a very revealing discourse on the trends of thinking of the man on the street as developed by surveys and statistics.

In all, eighteen Past Presidents were present at the meeting.

CREDIT CAREERS

Donald F. Holden

Portland (Oregon) Association of Credit Men is proud to present Mr. Donald F. Holden, Secretary-Treasurer of Munnell & Sherrill, Inc. (Portland, the City of Roses, has had three of its Association members placed in high offices of the National Association of Credit Men: E. D. Ross, National President, 1932-1933; Arnold W. Groth, National Director, 1936-39; Frank A. Dudley, National Vice President, 1946-1947.)

Mr. Holden was born in Saginaw, Michigan, in 1898, and moved to Oregon in 1902. He was the oldest of six children in a family unaccustomed to any luxuries. Hence his business career really began while still in high school—delivering newspapers to provide books, clothes and spending money.

In 1916, by hard work and a will to save, Mr. Holden entered upon a course in Animal Husbandry at Oregon State College. But war interrupted his college career. After fifteen months with the Army in Europe, he made another attempt to complete his course. This time, however, illness caused him to forsake college for business.

Mr. Holden's credit career began about 1920 when he accepted a job as bookkeeper for a widely known dry goods firm in his home city.

In 1922 he took a similar job with his present firm. Upon the death of E. J. Munnell, one of the partners, he assumed the responsibilities of credit manager. In this capacity he guarded the Company's finances until 1945 when the remaining partner, A. J. Sherrill retired. At that time he and eleven other employee-partners purchased the business. He served as general manager until the firm's incorporation May 1, 1945.

Mr. Holden is married and has a son and daughter—both married. His hobby is horses; and at 49 his ambition is to build and operate a Dude Ranch which will provide healthful and interesting recreation for those with average means.

Always an active and loyal worker in membership and committee activities during his illustrious career, the Portland Association of Credit Men will lose a valued and esteemed member when Mr. Holden's retirement eventually comes to pass.

Houston Association Re-elects President: Adds Five Directors

Houston: The annual meeting of the Houston Association of Credit Men was held on Thursday, November 13th. The results of the annual election were announced.

W. L. Holmes, Schlumberger Well Surveying Corp., was re-elected President. The Vice-President is O. W. Harigel, Houston National Bank. R. E. Boeger will continue as Secretary-Treasurer.

Miss Hazel Williford, Magnolia Paper Co., was re-elected to complete the two-year term to which she had been appointed by the Board because of the resignation of R. S. Hawkins. In addition, five new members were elected to Directorships: W. A. Bade, Gaylord Container Corp.; L. E. Twilligear, Arrow Mills, Inc.; Conrad Deats, The Detering Co.; J. W. Kilpatrick, T. W. Lopp Agency, and Henry Bogart, Cook Paint Varnish Co.

Chicago Credit Forum Discusses Foreign Trade

Chicago: "The Credit Approach to Foreign Trade" was the general subject of a panel discussion at a credit conference in the Assembly Room of the Opera Building in Chicago Tuesday Evening, November 18, with credit executives of manufacturing companies, wholesalers, banking institutions, insurance and commercial companies in the Chicago area taking part. Cities in Wisconsin, Illinois, Indiana and Michigan were represented.

The meeting was held under the sponsorship of the Foreign Trade Division of the Chicago Association of Credit Men.

Educator Pays Second Visit to Kansas City

Kansas City: Dr. Kenneth McFarland, Superintendent of the Topeka Public Schools, paid a return visit to the Kansas City Association of Credit Men on Thursday, November 18th. Dr. McFarland is in great demand as a consultant and speaker. He has an agreement with *Reader's Digest* whereby he will deliver forty addresses a year under that publication's sponsorship. These speeches will be limited to large meetings of an educational nature. Dr. McFarland is the only man in the country to be selected for this task.

News of the Credit Women's Groups

Picture shows the Speakers' Table at the luncheon held during the Credit Women's Conference in Louisville last October. In all sixty-one members and guests attended the conference, which was a great success. The delegates were all present at the 50th annual meeting of the Louisville Association of Credit Men which took place while the conference was in session.

Minneapolis: At the regular monthly meeting of the Minneapolis Wholesale Credit Women's Club, on November 11th, Ann E. Jamison, President, gave a glowing report on the Western Division Conference at San Francisco, at which she spoke. Ruth Kincaid, Secretary, also gave a very interesting report on the conference at Louisville where she was one of nine representatives from Minneapolis.

Special guests at the October meeting were three officers of the Duluth Wholesale Credit women. John H. Leslie, of the John Leslie Paper Co., the principal speaker, told of his experiences on a recent trip to Europe.

Des Moines: The Des Moines Credit Women's Group had an exceptionally interesting meeting on Monday, November 10th. F. G. Phillips, Globe Machinery & Supply Co., conducted a forum. The 23 members present discussed credit problems.

Madeline Deskin, of Loetscher & Burch Manufacturing Co., was elected Secretary-Treasurer to fill the unexpired term of Ione Hansen, who has moved to California.

The outstanding meeting of the year of the Seattle Credit Women's Club was held November 10th at which time the members honored their employers and also Trustees of the Seattle Association of Credit Men. A social hour preceded the meeting which was highlighted with a talk by Mrs. Pearl A. Wanamaker, Superintendent of Public Instruction for the State of Washington, and also a member of UNESCO. An educational talk on "Liens" was given by Gladys Warren, Vice-President of the group.

Scholarships for the group have been a main topic of discussion and plans are formulating for study groups throughout the year covering the various subjects relating to credit work.

Chattanooga: W. D. Riley, Vice-President, Brock Candy Company, addressed the Chattanooga Wholesale Credit Women's Group on November 18th. His subject was "The Sales Value of the Credit Department."

Louisville: Miss Alleen Harrison, of the Credit Women's Louisville Group, presided at a dinner meeting at Kunz' Party Room on Monday night, November 10th, at which final reports on the Credit Women's Conference were made by the various Chairmen of the Committees. The sixty-one members and guests who attended were delighted to hear the many complimentary letters from delegates who had attended this Conference. This was folllowed by bridge and other games, with prizes for the winners.

Houston: The Wholesale Credit Women's Club of Houston held their annual meeting jointly with the Houston Association of Credit Men on November 13th. The following new officers were elected for the year 1948: President—Marie Webb, Wagers Packing Co.; Vice-President—Mary Busick, Buie-Lunsford Co.; Secretary—Fern Curtis, Houston Association of Credit Men, and Treasurer—Gertrude Hayes, Second National Bank.

The officers will be installed on December 17th.

Pittsburgh: The Pittsburgh Credit Women's Group held their regular meeting on the 19th of November. Their speaker was F. A. Fletcher, Special Agent in Charge, of the FBI. His subject was "The FBI and Its Work."

The Group also held a luncheon bridge on November 29th for the benefit of the scholarship fund, and Association members and their friends and wives were invited.

St. Louis: National Director Bess Havens was speaker at the November meeting of the St. Louis Credit Women's Group. This was a joint meeting with the Zonta Club of St. Louis. Miss Havens has been a member of the Zonta Club for over 25 years and has served as President of the Binghamton Zonta Club.

Boston: The 25th meeting of the Credit Women's Club of Boston was held Thursday evening, November 13, 1947, at the Mary Stuart Dining Room and was attended by 25 members and guests.

Our guest speaker of the evening was Special Agent John B. Green of the Federal Bureau of Investigation. Not only did he present statistics on criminology in the United States today, but he gave us a clear picture of the methods these criminals use and how business firms are victims of fraud by mail and worthless checks. All present greatly benefited by his talk.

Notes received by our President were read thanking our Club for the Wedgewood Plates depicting Boston scenes which were presented to credit women from Providence, Rhode Island, and Worcester, Mass., who attended the Credit Conference at the Hotel Somerset in Boston on October 20 and 21.

Credit Woman Honored

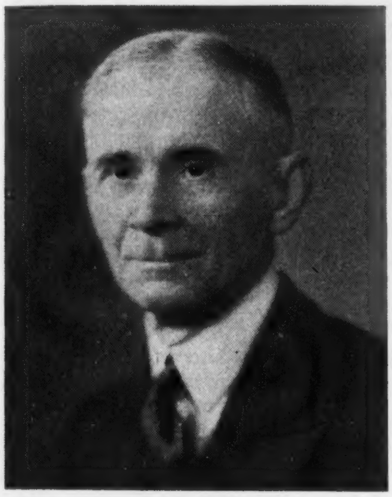
Miss Rose Edwards

Portland: Miss Rose Edwards, credit manager for Miller Bros., wholesale dry-goods merchants, is serving this year on the Board of Trustees of Portland Association of Credit Men. She is the first woman in Portland to be elected to this office. Miss Edwards has been active in affairs of the local and National Association of Credit Men for twenty years, and was president of the Women's Group in 1936. Sent as a delegate by the Group to the Western Division Credit Women's Group Conference in San Francisco in October, Miss Edwards reports that among other benefits of the deliberations of the Conference, a stronger degree of cooperation between the women's groups in the East and the West is to be expected.

Historian Speaks on U. S. Foreign Policy

Rochester: The Rochester Association of Credit Men opened its Fall season on Wednesday, November 12th, with an address by Dr. Dexter Perkins, Head of the History Department, University of Rochester, on "The Challenge of American Foreign Policy." Dr. Perkins was the first Professor of American History at Cambridge University, England.

Milwaukee Charter Member Is Still Active Credit Man



William J. Allen

Milwaukee: It was more than fifty years ago that a group of active young Milwaukee men banded together to form what was, in effect, the nucleus of the Milwaukee Association of Credit Men.

In 1892 the organization, known as the Milwaukee Bookkeepers' Association —the title was later changed to the Milwaukee Society of Accountants—began the first real effort to guard their firms' accounts receivable on a cooperative basis. Among the charter members was William J. Allen, who is still active in business as Secretary of the Robert A. Johnston Company, manufacturers of confectionery.

Mr. Allen is proud of the fact that four years before that first tentative convention in Toledo he was instrumental in forming this forerunner of the Milwaukee Association of Credit Men, of which he continues to be his firm's representative.

Chapter XI Is Forum Subject On Both Coasts

By coincidence, two Associations of Credit Men on opposite coasts held almost identical forums during November, both concerned with the same subject.

On November 6th, the Los Angeles Credit Managers' Association discussed Bankruptcy and Chapter XI. The panel of experts was composed of Hubert Laugharn, Referee in Bankruptcy; Frank C. Weller, Attorney for the Los Angeles Association, and Paul W. Sampsell, Trustee in Bankruptcy.

On November 18th Chapter XI came up for discussion in a forum planned jointly by the New York Credit Men's Association and the New York Chapter. National Institute of Credit. W. Randolph Montgomery, Counsel to the New York Association and to the NACM, presided. The panel consisted of Irwin Kurtz, Referee in Bankruptcy; Benjamin Siegel, New York attorney, and Mortimer J. Davis, Executive Manager of the NYCMA, and himself a noted authority on the Chandler Act.

The announcement of the forum was ingeniously laid out in the form of a Summons, which read, in part: "Notice is hereby given that, upon your default to appear as summoned within, you will forfeit the opportunity to learn the facts about Plans of Arrangement under Chapter XI of the National Bankruptcy Act."

Eight Presidents In One Picture

Pictured above are the Presidents of eight Credit Women's Groups. The picture was taken at the banquet of the Credit Women's conference held at San Francisco last October. Back Row, left to right: Elma Hanson, Seattle; Simone Coe, San Diego; Esther Hatch, Fresno; Leona Thacker, Los Angeles. Front Row: Gladys Retzlaff, Portland; Florence Patton, Oakland; Mary C. King, San Francisco, and Ann Jamison, Minneapolis.

Three-Sided Forum Staged At Toledo

Toledo: On November 25th the Toledo Association of Credit Men held its "Management Night." The program consisted of a panel discussion between representatives of Management, Sales and Credit.

J. H. McNerney, Secretary-Treasurer of the Owens-Illinois Glass Co., spoke on "What Management Expects for the Credit Department." O. O. Lewis, Assistant General Sales Manager, Fairbanks, Morse & Co., followed with his views on what Sales expects from Credit; and finally Frank Griesinger, General Credit Manager of the Lincoln Electric Co., spoke on what Credit expects from both Sales and Management. The moderator was J. B. Fenner, Treasurer, Electric Auto-Lite Co., Toledo.

Obituary

Arthur L. Moler

Cincinnati: Arthur L. Moler, Vice-President of the Fifth Third Union Trust Company, died on Tuesday, November 5th. Mr. Moler was a past President of the Cincinnati Association and was only recently elected National President of the Robert Morris Associates.

Bank's Moving Day Causes Sensation

Kansas City: The City National Bank & Trust Company, a valued member of the Kansas City Association of Credit Men moved recently from its location at 18th and Grand Avenue to a completely new building at 10th and Grand Avenue. The event created a sensation in Kansas City and received national notice.

There are so many outstanding new features, such as built-in parking garages, that bankers from 43 states were among the 65,000 people who went through the bank.

Insurance Man Speaks On Coverage Problems

Worcester: The Worcester County Association of Credit Men heard an interesting address on the subject of "The Effect of Lack of Proper Insurance on Credit" given by Percy D. Betterley, consultant for insurance buyers, on November 17th.

Before opening his own office, Mr. Betterley was employed by Graton & Knight Co. for thirty-four years, which included twenty-six years as insurance buyer. He is the author of the book "Buying Insurance" published by McGraw-Hill Co.

CED Turns Attention To Problems Arising From Marshall Program

Appointment of a sub-committee to study problems related to the European recovery program has been announced by Paul G. Hoffman, president of the Studebaker Corporation and chairman of the Committee for Economic Development. The sub-committee has begun work on its study and will submit its findings to the CED Research and Policy Committee, of which Raymond Rubicam of New York is chairman.

Wayne C. Taylor of Washington, D. C., former president of the Export-Import Bank, is chairman of the new sub-committee. The other members are Henry P. Bristol, president, Bristol-Myers Co., New York; Chester C. Davis, president, Federal Reserve Bank of St. Louis, St. Louis; Mr. Hoffman; Jay C. Hormel, chairman of the board, Geo. A. Hormel Co., Austin, Minn.; Thomas B. McCabe, president, Scott Paper Co., Chester, Pa.; Philip D. Reed, chairman of the board, General Electric Co., New York; Nelson A. Rockefeller, New York; Mr. Rubicam; Beardsley Ruml, chairman of the board, R. H. Macy & Co., Inc., New York; J. Cameron Thomson, president, Northwest Bancorporation, Minneapolis.

Advertising Men Form Credit Group

New York: The New York Credit Men's Association has announced the formation of an Advertising Agency Credit Group.

Dixon B. Griswold, Assistant Treasurer of McCann-Erickson, Inc., is Chairman of this group which will serve as a source for clearing credit information and special data of mutual interest to the financial executives of advertising agencies.

Evansville: The Evansville Association of Credit Men held its annual Thanksgiving family dinner and party on November 25th at the Servel picnic grounds.

Pittsburgh Zebras Elect Officers

Pittsburgh: The Pittsburgh Zebra Herd held their 13th annual Roundup recently at which the following officers were elected: Harry M. Davidson, Republic Oil Company, Exalted Zuperzeb; Robert A. Hoffman, North Side Packing Company, Most Noble Zeb; W. E. Michel, Pitt Auto Electric Company, Royal Striper; John J. McCune, Pittsburgh Gage & Supply Co., Three Horsepower Burro; Robert S. Thompson, Houston-Starr Co., Keeper of the Zoo; and Frank J. Hohman, Credit Association of Western Pennsylvania, Zebratary.

On November 26th, 1947, the Supreme Court of Pennsylvania, Western District, in Mark Willcox, Jr., plaintiff, against the Penn Mutual Life Insurance Company, defendant, declared the Community Property Law of Pennsylvania to be unconstitutional.

International Affairs Is Subject at Detroit

Detroit: International affairs and world problems came up for discussion at the November 11th meeting of the Detroit Association of Credit Men. Professor Preston Slosson spoke on "Armistice or Peace?"

Professor Slosson, who is at present Professor of Modern History at the University of Michigan, is an authority on world problems. A native of Wyoming, he is a graduate of Columbia and has taught in colleges both in America and in Great Britain..

Foreign Credit Expert Heard at Bridgeport

Bridgeport: Anthony Bordes, Export Manager of the Bassick Company, was the speaker at the November 12th meeting of the Bridgeport Association of Credit Men.

Choosing as his subject "The Mystery of International Trade and its Effect on our Domestic Economy", Mr. Bordes discussed the credit problems arising from foreign trade and showed some interesting moving pictures taken during a 25,000 mile air trip through Latin America.

Big Turn-Out Greets Banker at Providence

Providence: Over 200 credit executives were present at the November 17th meeting of the Rhode Island Association of Credit Men to hear an address on "Current Problems in Bank and Commercial Credits" by Walter L. Driscoll, Vice-President of the First National Bank of Boston.

Mr. Driscoll is well known to the members of the banking and credit fraternities in New England. He has been a banker in New England for over a quarter of a century. For over twenty years he has been a member of the Boston Association of Credit Men and has also served as a director of the Robert Morris Associates.

New York: At the last meeting of the Electrical Manufacturers' Group held on November 19th, Sidney Wolberg, Burndy Engineering Co., was elected Chairman, and J. E. Wittig, Noma Electric Corp., Vice-Chairman.

Annual Financial "Merry-Go-Round" Held At Chicago

Chicago: More government control ahead, almost as much trouble buying an automobile in 1948 as in 1947, a possible bull market early in 1948 based upon good earnings and larger dividends, keener competition in the retail field with a continued battle to maintain earnings and the danger of inflation greater today than at any other time with no indication of its being brought under control were some of the high lights expressed at the Fourth Annual "Financial Merry-Go-Round" of the Chicago Association of Credit Men Wednesday evening, November 12.

Those taking part in this unique forecast by the financial editors of leading Chicago daily newspapers were: Moderator, William L. Ayers, *Finance;* David Dillman, *Chicago Journal of Commerce;* Philip F. Hampson, *Chicago Tribune;* Edward A. Kandlik, *Chicago Sun;* Herman Gastrell Seely, *Chicago Daily News,* and Robert P. Vanderpoel, *Chicago Herald-American.*

New Member Night Held at St. Louis

St. Louis: The November meeting of the St. Louis Association of Credit Men was titled New Member Night. Members had an opportunity to meet members who became associated with the organization since the beginning of the fiscal year.

An additional feature of the meeting was a showing of the Aluminum Corporation of America's film, "Unfinished Rainbows," which is the story of aluminum in technicolor and stars Alan Ladd.

Baltimore Hears About America's Iron Curtain

Baltimore: The October dinner meeting of the Baltimore Association of Credit Men was held on October 28, 1947. The guest speaker was Mr. Thomas R. Reid, Vice President of McCormick & Co., Inc., whose subject was "America's Iron Curtain."

He pointed out that an iron curtain exists around this country today, not shielding what is happening inside to those beyond our borders but rather, through lack of interest, keeping the American public uninformed on what is happening in foreign countries. This condition, he said, is very dangerous in that hunger and privation in Europe is doing more than anything else today to drive European countries away from the American way of life. Mr. Reid defined America as "The last island of capitalism in a sea of collectivism," and urged all Americans to open their eyes to the unpleasant facts of present world conditions and give serious thought to the methods of their solution.

Government Credit Policies

(*Continued from page 27*)

would still be low as compared with the rates that prevailed during the twenties. Other factors, notably wages, prices of raw materials, and transportation rates, play a much more important role in the cost of production and distribution than interest rates. It may, therefore, be concluded that under conditions as they existed during the first two years after cessation of hostilities in the Second World War the policy of the monetary authorities in reducing the volume of deposits through public debt redemption and not through credit restrictive measures were sound. Credit restrictive measures, if adopted, could have done more harm than good and, above all, it is doubtful whether the desired objectives, namely, a reduction in commodity prices, could have been attained.

Backs Up Monetary Authorities

In conclusion the bulletin states:

A review of the credit policies of the monetary authorities since V-J Day leads to the conclusion that on the whole they have been sound. The Reserve authorities cannot be blamed for the sharp increase in commodity prices which has taken place, and under existing conditions credit restrictive measures, as were applied in 1920, could not have been used. The monetary authorities have taken steps to reduce the volume of bank deposits through redeeming short-term government obligations held primarily by the banks. In this task they were aided by the huge balances accumulated by the Treasury through the large subscriptions to the Victory Loan, by the budgetary cash surplus, and by the large sums accruing to the trust funds administered by the Treasury. It might be argued that in view of the persistent inflationary spiral the Treasury should have brought about a greater reduction in the amount of government securities held by the banks and thus cause a greater decline in the volume of bank deposits through refunding operations; namely, by offering long-term government obligations to insurance companies and savings banks and utilizing the proceeds to redeem short-term obligations held by the commercial banks. The retention of Regulation W was proper and it would have been a very helpful instrument of qualitative credit control if Congress had passed legislation granting the Board of Governors of the Federal Reserve System permanent powers to regulate consumer installment credit. The unpegging of the bill rate was a step to increase the control of the Reserve authorities over the money market. With the unpegging of the bill rate, the unfreezing of the certificate rate is indicated. While the unpegging of the bill rate and shortening the maturity of certificates caused a moderate increase in short-term interest rates, it is not likely to lead to any material increase in money rates. The policy of keeping the government bond market orderly and preventing sharp fluctuations in prices of government obligations is still adhered to and probably will be for quite some time. In view of the inflationary pressure still existing in the country, a balanced budget is the key to credit control and a large federal budget surplus would greatly benefit the economy as a whole.

TEMPUS FUGIT

It may seem early to start thinking about the 1948 session of the Executives' School of Credit and Financial Management, but it is not so early at that.

This year again space restrictions will prevent more than 160 students from attending.

The catalogue will be off the presses by the end of January at the latest. The Executives' School of Credit and Financial Management at the University of Wisconsin will be held the last two weeks of August. Better start thinking about it now.

Association Founder Speaks at Terre Haute

Terre Haute: A. N. Levin, of Levin Brothers, was the speaker at the November 25th meeting of the Terre Haute Association of Credit Men.

Mr. Levin is one of the founders of the Terre Haute Association and has done much to build it up to its present position in the city's business life.

Your Letters Are You

(*Continued from Page 18*)

would be spoken. Try the test! Try reading each in a conversational tone.

"Dear Mr. Jones:

"I am glad to have received your letter. It has affected a change in our arrangements and shipments to your company will issue on the regular open account terms. Your letter itself was the answer to your question as to what you must do to reestablish XYX's credit rating with us.

"It is possible that a few shipments went out on sightdraft or COD terms while you and I were corresponding. If this is the case, I know you will accept them with good forebearance.

"You will understand, too, that our requesting the sales department to schedule shipments closely to your needs and not excessively during the next few months is a mutual service. The request will not restrict to an extent which will handicap you, for we have not asked that the rate of shipment be lowered from that which has prevailed the past several months.

"I want to thank you, Mr. Jones, for your courtesy in the entire matter. Your company and this one should get along splendidly.

Very truly yours."

* * * *

"Dear Mr. Jones:

"We *wish to thank you* for your letter of the 20th,

receipt of which is hereby acknowledged. It has affected a change in our arrangements and shipments to your company will issue on the regular open account terms. *Regarding* your question as to what you must do to reestablish XYX's credit rating with us, your letter itself was the answer.

"*Realizing* the possibility of a few shipments having already gone out on sight-draft or COD terms, *we trust* you will accept them with your *usual kind indulgence.*

"*Please be advised* that this department has considered it a mutual service to request sales to schedule shipments closely to your needs and not excessively during the next few months. *May we assure you* that the request shall not restrict to an extent which will handicap you, for *it has not been asked* that the rate of shipment be lowered from that which has prevailed over the past several months.

"*Thanking you,* Mr. Jones, for your *kind consideration* throughout the entire matter, and *expressing the assurance* that your company and this one should get along splendidly,

"*We remain,*
Very truly yours,"

* * * *

The original letter, incidentally, was written to the new president of a company which had spread its working capital too thin. They were past due on our books. We had withdrawn open account. Why did we reopen the account? Because this man's letter to us, although advancing only contemplated financial relief, was a masterpiece. It was frank. It was pointed. It was unembellished. It was courteous and friendly. It sold two "C's," Character and Capacity. *It changed our minds!*

I said in the beginning that I did not know how business correspondence developed the stereotype which has stifled personality. I have an idea, however, that in the heyday of American capitalistic growth men of business were more eager to impress than to express. Thus the birth and spread of the splendid phrases, the pompous brevities, the practiced modesty. Today correspondents, in no sense guilty of this exhibitionism, are unknowingly bound by inherited chains.

These patterns, which should be difficult to concoct, will instead, for many, be difficult to dissolve. But the improved performance of the individual correspondent rests upon the dissolution of patterns, and a better relationship among business houses awaits that dissolution.

Need For Sound Credit Policies

(Continued from Page 13)

short-sighted policy for American business. Let us hope that credit men will see and feel their responsibility as credit control is placed in their hands. Without their adherence to the rules of sound credit control and their active cooperation Federal credit control in peacetime could not possibly work. Given their belief in and adherence to the principle of sound credit control, Federal credit control is unnecessary. The removal of Federal controls should not be taken with jubilation by credit men but with sober thought and a realization of the social responsibility that will be placed on their shoulders.

Good Credit Judgment Needed

Consumer credit will be needed to support production at a high level. It must be judiciously expanded to prevent drops in production but not in an attempt to freeze a maladjusted situation where prices are clearly out of line or to stimulate further price increases. Credit men must keep in mind that the risk factors have been rising constantly for the past two years. Business failures in 1947 have been running at three times the 1946 rate, although still only one-quarter of the average of the past 20 years, and collections have been slowing down. The credit man is being asked to walk a tight rope in granting credit at this time.

Renewed upward pressures on prices and wages are at hand. Let us not forget that we are the only completely democratic nation with free enterprise. A short-sighted policy of getting all the profits possible now, of supporting highly inflated profits and over-extended inventories by credit expansion will push the inflationary boom to dangerous proportions. Existing maladjustments must not be aggravated, but must be corrected.

Should Profits Be Trimmed?

Any advocate of the private enterprise system must realize that profits are *essential* to the continuation of this system and that reserves must be built up during good years, but it may be wiser for businessmen in some lines to be satisfied with more moderate profits than at present in an attempt to obtain a relatively more stable economy rather than to cynically accept the boom-and-bust philosophy; i. e., the philosophy that a drastic and severe correction is inevitable and nothing can be done to make it more moderate. I wish to quote Mr. Paul G. Hoffman, President of the Studebaker Corporation and of the Committee for Economic Development: "By adopting appropriate measures—we can, I believe, hold the swing between the peaks and valleys to perhaps 15 to 20%. We can live and prosper with that. We cannot live with fluctuations such as that which took place between 1929 and 1932 when business volume dropped more than 50%. Another collapse of that magnitude might cost us our free economy."*

We must sooner or later have price adjustments and as far as I am concerned, the sooner the better. Let us not either push our inflated boom up by hypodermic injections of credit or prevent price adjustment to work out when supplies come more in line with demand. A long-term social viewpoint must be taken by the business man, for it is to his enlightened self-interest. A severe crash from an inflated boom that is pushed upward without adjustment for one, two or possibly even three years more could rock our private enterprise system to its foundation. That, in turn, could rock the world.

* See *Credit and Financial Management,* June, 1947, Page 8.

"FROM THIS ONE DESK . . .

I maintain ALL routine operations on thousands of accounts receivable"!

Posting and Proving

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Preliminary Collection Procedure

Simplified Unit Invoice Accounting Plan heralds a new era in speed, accuracy and economy

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She authorizes credits from a glance at her record—relieving credit officials of all ordinary routine.

She enters each charge simply by filing the invoice copy in the customer's Kolect-A-Matic Visible Ledger Pocket.

She "applies" payments by removing copies of paid invoices and date-stamping them "PAID".

She keeps ledgers in balance by establishing controls for all debits and credits.

She handles routine collection effort accurately and effectively, with Graph-A-Matic signal control "spotting" delinquent accounts.

And not least important, her desk provides *certified* protection of all records, 24 hours a day, not only from fire but from the impact of crushing falls if floors should collapse during a fire.

Centralized operations—less paperwork and record writing—faster order handling—getting the money in with less effort and less delay! Ideal for manufacturers, wholesalers, transport and other organizations.

For complete details on this cost-saving system, send today for SUIAP folder KD-253—write to Systems Division, 315 Fourth Avenue, New York 10, N. Y.

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